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FOREIGN AID APPROPRIATION BILL FOR 1949

HEARINGS

BEFORE THE

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

EIGHTIETH CONGRESS

SECOND SESSION

ON THE

FOREIGN AID

APPROPRIATION BILL FOR 1949

PART 1

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ROBERT P. WILLIAMS, Administrative Assistant, Editor

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FOREIGN AID APPROPRIATION BILL, 1949

HEARINGS CONDUCTED BY THE SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES, IN CHARGE OF DEFICIENCY APPROPRIATIONS ON THE DAYS FOLLOWING, NAMELY:

TUESDAY, APRIL 20, 1948.

ECONOMIC COOPERATION ADMINISTRATION

STATEMENT OF PAUL G. HOFFMAN, ADMINISTRATOR; RICHARD BISSELL, CONSULTANT; CALVIN HOOVER, SPECIAL ASSISTANT; EDWARD MASON, SPECIAL ASSISTANT; F. R. CAWLEY, ACTING BUDGET OFFICER; W. T. PHILLIPS, ADVISER ON SUPPLIES, ECONOMIC COOPERATION ADMINISTRATION; ROBERT LOVETT, UNDER SECRETARY OF STATE; AND PAUL NITZE, SPECIAL ASSISTANT; WILFRED MALENBAUM, CHIEF, INTERNATIONAL AND FUNCTIONAL INTELLIGENCE; AND A. M. ROSENSON, ASSISTANT CHIEF, DIVISION OF FINANCIAL AFFAIRS, DEPARTMENT OF STATE

GENERAL STATEMENT

The CHAIRMAN. The committee has under consideration this morning an estimate contained in House Document No. 610 for $4,245,000,000 for the carrying out of foreign assistance as authorized by title I of Public, No. 472, approved April 3, 1948.

We have with us Mr. Paul G. Hoffman, the Administrator appointed to head the Economic Cooperation Administration. We should be glad to have a statement from you at this time, Mr. Hoffman.

Mr. HOFFMAN. Mr. Chairman and gentlemen, since assuming office as Administrator of the Economic Cooperation Administration 10 days ago I have found myself confronted with a number of pressing problems. As soon as I was sworn in, the authorization of expenditures by the State Department under the Interim Aid Act ceased. I had to assume responsibility for any further expenditures under that program as well as for initial expenditures under the new program. Up to date my Administration has authorized the expenditure of some $62,000,000 (including some $5,000,000 for ocean freight) to continue shipments of food, fuel, and fertilizer to certain European countries. I have also necessarily had to devote much time to recruiting competent personnel for the key positions in our new organization. The fact that we had over 14,000 applications for positions has not made this task less complicated. It is people who make an organization and selecting the best equipped person for each important position takes time. We have also faced the minor problem of operating in temporary quarters while preparing to set up shop in the Maiatico Building.

Whatever success I may have had to date in meeting the responsibilities of this new office is due solely to: (1) The quality and quantity of preparatory work carried on by various agencies of government in the past several months and, (2) the willingness of the heads of

other departments to make available to ECA some of their top-flight personnel.

I wish I could advise you that while attempting to meet other responsibilities during the past 10 days I have found time to make myself thoroughly familiar with the tremendous volume of detail offered in justification for appropriations under the Economic Cooperation Act of 1948. That I have not been able to do. But I do have considerable familiarity with the financial dimensions of the program due to my having served as a member of the President's Committee on Foreign Aid, better known as the Harriman committee, last summer. Furthermore, even before I formally took office I requested Mr. Richard Bissell, who served as executive secretary of the Harriman Committee, and Messrs. Calvin Hoover and Edward Mason, who were members of the committee, to join me in a consulting capacity. Among their assignments I requested that they appraise the program from the standpoint of its over-all cost and also that they analyze a number of the more important estimates of European requirements such as those for grain, steel, coal, and freight cars. Mr. Bissell is prepared to testify on behalf of Messrs. Hoover, Mason, and himself as to these schedules of expenditures. I am prepared to join these three gentlemen in testifying as to the reasonableness of the over-all cost of the program.

Five billion three hundred million dollars is a lot of money, yet of three responsible and independent estimates of probable financial requirements for the program, it is the lowest; the other two reports are those of the Harriman committee and the International Bank. I am speaking with utter sincerity when I say to you that my great fear is that even with the most careful planning and the most rigorous supervision of expenditures, this amount may prove insufficient to accomplish the degree of recovery we seek.

As a businessman there is one aspect of this program that deeply concerns me, namely: The implication that the Administrator may be held rather rigidly to these schedules. As I have already stated, I am impressed by both the quality and quantity of work that has gone into preparing this program. But this recovery program is something quite different from a departmental budget which covers the cost of familiar activities. In ECA we have little in the way of precedent or experience to guide us. We know precisely what we want to accomplish, namely: Increased production in all of the nations covered by this aid program. That must be brought about primarily by increased output per man-hour both on the farm and in the plants. But just how this can be accomplished we can't be too sure today.

Furthermore, we'll undoubtedly be confronted with changes in conditions both abroad and here that no one can forsee. If we're to avoid wasting millions of dollars we must quickly terminate programs that are not proving resultful. We must be prepared to shift our plans quickly to meet changing conditions. In other words, close supervision and high flexibility are both essential if we're to get the most out of our dollars. You can be sure of this—that getting the most out of our dollars is something we're most determined to do.

The CHAIRMAN. The estimate that has been sent up here is entirely in wide open form and it has absolutely nothing in it which would limit the Administrator as to almost any activity he might wish to engage in in connection with this assistance program.

Mr. HOFFMAN. Mr. Chairman, may I speak off the record for a few minutes and tell you a little more clearly what I have in mind, if that is permissible?

The CHAIRMAN. Yes.

(Statement off the record.)

SELECTION AND APPOINTMENT OF TOP PERSONNEL

The CHAIRMAN. Have you at this point reached the stage where you are able to tell us something about your top personnel?

Mr. HOFFMAN. Yes; I think I can give you some general idea as to the kind of people they should be.

First, very valuable preparatory work was done and detailed charts were prepared; but again we are aproaching this task with the thought that those were suggestive rather than in any sense directive. That was made clear.

In the first place, in this country, we have a director of operations. I am very happy to say that Mr. Richard Bissell is acting in this capacity now. He does not know it, but no matter how hard he tries I do not believe he is going to be able to wiggle out of that job, because he has shown extraordinary capacity; and he has familiarity with this problem such as we must have if we are to get into this program quickly. He supervises the development of the programs for these countries and also the procurement of the supplies that are called for under the program. He has that general supervision of the home operations.

The CHAIRMAN. Could you give us a statement of his background?

Mr. HOFFMAN. Several years ago, when we were trying to set up the organization CED, and had had various people suggested to us, individuals who were well-grounded in economics but who also had some sense—and that is a combination you do not always find—Dick Bissell was right at the top of the list. So I hunted up Mr. Bissell. I found that Mr. Bissell was at that time employed by Mr. Lewis Douglas in the Maritime Commission. I went to Mr. Douglas and tried to convince Mr. Douglas that he ought to lend us Mr. Bissell for some special work that we wanted done. He assured me that under no circumstances could I have Mr. Bissell, except over his dead body, which convinced me that Mr. Douglas had a very high opinion of Mr. Bissell.

I do not know whether Mr. Bissell has spent much time in the Massachusetts Institute of Technology or not, but I think he was formerly attached to that institution. He has spent most of his time in business.

The next time I tried to get Mr. Bissell for a special job, I found out he was working for the United States Steel Corp., doing investigations for them.

The next time I ran into him he was still on that job. And the next time I ran into him—and that, by the way, was in connection with the Harriman Committee work, because I was on that committee and when it came to recommending a man who combined hard sense and a broad knowledge of international economics, whom we had to have, Bissell's name came first. So we all said, "We have to have Bissell." We finally decided that two or three of us would have to tell Mr. Olds that we had to have him and he would have to get along somehow without him.

Mr. Chairman, my entire experience has been in business. I have seen many men operate. I have never seen a job of work turned out of higher quality, and of greater quantity, than the job of work turned out by the Harriman Committee during the weeks we were meeting. Also, never have I seen an executive secretary—and much of the work always falls on staff—an executive secretary who was able to reconcile the apparently irreconcilable differences among the 19 individualists who comprised that committee. We all had very stanch views. Most of us had very hardened views on various subjects. But when we got through I think a miracle was accomplished. And that report, by the way, was not a pussyfooting report, as you all know. It was a very forthright report and it was signed by all 19 members of that committee.

So when I found myself in this job, the first thing I did was to get on the telephone and start trying to find Mr. Bissell, because I knew that I could not carry on this job without him. I telephoned Cambridge, could not get his home, but finally I did get Mr. Mason, who is here today also, and he agreed he would track Mr. Bissell down for me. Mr. Bissell called me, and I said, "Don't talk to me, but get a plane and come on down here." Well, planes were not flying and he came down on a train and has been here since.

I just say to you that I think I am a very responsible person when it comes to giving testimony as to individuals and I say that Mr. Bissell is extraordinarily well-informed in the economics of this situation. He is as able an administrator as I have ever seen in action and, as I say, somehow, we have got to keep him, even if it takes congressional action. Mr. Bissell has charge of operations.

Now, on the fiscal front—

The CHAIRMAN. You are going to put on controls?

Mr. HOFFMAN. Are you talking about controls domestically?

The CHAIRMAN. No; I mean on this fellow here.

Mr. HOFFMAN. We are going to put on the toughest kind of supervision we know how to put on; that you may be assured of.

The CHAIRMAN. Have you gone any further than that?

Mr. HOFFMAN. Yes, sir. Of course, there is this whole group of problems that are of vital importance in the fiscal and monetary field. There I think we are fortunate in having been able to get Mr. Wayne Taylor who has in the past been Under Secretary of the Treasury and also Under Secretary of the Department of Commerce and President of the Export-Import Bank, to come into our organization and take responsibility there. It is his responsibility to handle the fiscal arrangements with the various countries, with the State Department helping in working out these bilateral agreements.

Mr. WIGGLESWORTH. What is his title?

Mr. HOFFMAN. We have not thought about titles yet, Mr. Wigglesworth.

Mr. WIGGLESWORTH. He is head of fiscal and monetary activities?

Mr. HOFFMAN. I think he will be at the head of that section and, as I say, if there is a better man than Mr. Taylor, I do not know him.

We intend shortly to bring in on a consulting basis, but without pay—because I am sure we can do it—some of the very top men from the financial world who are acquainted, who are well versed in international finance, to help us in the matter of policy; because there are many problems that are not yet answered in the field.

One thing that concerns me is this question of what shall we do with these blocked currencies, local currencies, in order to get the greatest value out of them from the recovery standpoint. That would be, of course, primarily a task for the mission in the field. But even before the missions go out, I think we can take advantage of men like George Harrison, president of the New York Life Insurance Co., and who was formerly I think Chairman of the Board of Governors of the Federal Reserve a few years ago; Randolph Burgess of the National City Bank, and there are a number of people I think we can bring in here who are thoroughly expert in that field and who can help us at least from a policy standpoint to guide our operations and bring out some answers to questions that are still perplexing.

None of these appointments have been easy; when it comes to personnel, it has been a case of resorting to all the pressures that we can bring to bear to get people.

Another person was recommended by my very good friend Chester Davis who told me that when it came to the matter of food distribution and procurement, Dr. FitzGerald of the Department of Agriculture was one of the top men of the world. I immediately demanded and got the services of Dr. FitzGerald; not easily, but he is now in our shop and has general direction of the food section. Those are the people who are already on.

There is one other, Mr. Chairman, Mr. Aleck Henderson, whom I think many of you must know from his very fine work down here during the war years, and who is a member of the firm of Cravath, Swayne & Moore. He has come down here at a very great sacrifice and I assure you only under great pressure, to take over the job of general counsel. If there is any better man for that job I do not know who it could be than Aleck Henderson.

Mr. KERR. Did I understand you to say that Chester Davis agreed to come into your organization?

Mr. HOFFMAN. No, Judge Kerr. I should love to have Chester Davis, but he is not too well, as you perhaps know, and is recovering from an operation. But he recommended Dr. FitzGerald as being the very best man I could possibly get. I have implicit confidence in Mr. Davis. I have known him for 15 years and when Chester Davis tells me that something is so, I always find that it is so.

Mr. KERR. I am a man who shares that same feeling about him.

Mr. HOFFMAN. So we have gone that far. We have made no other appointments except on a very temporary basis.

I should like to say a word about Mr. Cawley, our budget officer. We borrowed him from the Commerce Department. They do not know it yet, but he is not going back, because we have found him to be both reliable and creative in a field where we have got to do creative work if we are going to make good on this task.

Otherwise our personnel is on a temporary basis. We did not bring anyone in on a permanent basis except these few people, because we want to see how these work out.

We are convinced of this, that we have got to have a closely knit, hard-working, hard-hitting team, who will work together, or else we will not accomplish anything. Secondly, this team has got to play in the big league down here and in such a way that we will continue to get the kind of cooperation that we have had to date. We have had perfectly wonderful cooperation from other departments of the

Government and from the Congress so far. We hope to continue to merit that confidence and if we do, I think this job is do-able. Short of that kind of a set-up, it is not.

Mr. WIGGLESWORTH. How long do you anticipate it will be before you can have your main people appointed?

Mr. HOFFMAN. I certainly hope by the end of this week we will have the key jobs filled. We have literally hundreds of applications from people who are genuinely patriotic. One of the encouraging things has been that among these 14,000 applications that we have had, we have received hundreds from people who are perfectly willing to turn their backs on important jobs and important money and work for us for little or nothing. I do think we can draw upon these people who have been recommended to us very highly for heading these missions abroad. But we cannot do anything about that until our roving Ambassador is nominated and approved by the Senate. We are still in the process of working that out.

The same is true of the deputy. As a matter of fact, until our roving Ambassador is appointed, I do not want to try to finalize a decision on the deputy, because our roving Ambassador has got to have complete confidence in the team back here, and we have got to have confidence in him.

So we tried to go slowly on these key jobs and if we get the people we hope to get I think we may be confident that we will have a first-class team.

Mr. WIGGLESWORTH. You have hopes of getting both those appointments during the current week?

Mr. HOFFMAN. I certainly hope so and, Mr. Wigglesworth, if there is any way I can put further pressure on to get things done, I shall do so. But up to now we just had to move a little bit slowly.

UNEXPENDED BALANCES AVAILABLE FROM PRIOR APPROPRIATIONS

The CHAIRMAN. Would you be able to tell us what are the remaining unexpended balances carried over to you eitherby the act itself or by any other operation?

Mr. CAWLEY. Mr. Chairman, I checked on that the other day and was advised that there was approximately $2,000,000 left unobligated out of a total amount of about $575,000,000 foreign aid and interim aid. I should like to explain further that all of that is not as yet disbursed.

The CHAIRMAN. All of the purchases are not delivered?

Mr. CAWLEY. That is correct, sir.

The CHAIRMAN. I am wondering if you can give us this information. Of course, there are other items, but that is the interim-aid item?

Mr. CAWLEY. Yes, sir. The last item was $55,000,000. I believe there was approximately $522,000,000 prior to that time.

The CHAIRMAN. That totals $577,000,000?

Mr. CAWLEY. Yes, sir.

The CHAIRMAN. That is the total amount that was available?

Mr. KEEFE. Mr. Chairman, may I interrupt to say that Mr. Lovett advises that they have those figures exactly.

Mr. CAWLEY. Fine. I asked for them the other day and they had not submitted them as yet, but Mr. Lovett indicates that he has them here. I have here a set of figures.

The CHAIRMAN. This is as of April 2 and today is the 20th. That is as of 18 days ago. We will put the first sheet of this set in the record at this point.

(The table is as follows:)

United States foreign-aid program, Public Law 389, as of Apr. 2, 1948

	Procurement initiated	Shipments made	Unshipped balance
Austria	$70, 541, 000	$45, 775, 000	$24, 766, 000
France	321, 417, 000	237, 672, 000	83, 745, 000
Italy	181, 334, 000	110, 918, 000	70, 416, 000
Procurement pending	3, 708, 000		3, 708, 000
Total	577, 000, 000	394, 365, 000	182, 635, 000

NOTE.—Shipment figures are estimates, based in part on preliminary information obtained from U. S. procuring agencies and the recipient governments, and are subject to revision on receipt of official supporting documents.

The CHAIRMAN. That indicates an unshipped balance of $182,000,000 as of April 2. You do not know anything more about it than that, do you?

Mr. CAWLEY. No, sir.

ALLOTMENTS OF FUNDS ADVANCED BY RFC

The CHAIRMAN. That is as of the effective date of Public Law No. 472. One billion dollars was made available for this particular set-up. What has happened to that, if anything, up to this point?

Mr. CAWLEY. Mr. Chairman, we have allotted approximately $800,000,000 of that, as follows——

The CHAIRMAN. Have you that in the form of a table?

Mr. CAWLEY. Yes, sir. I have a break-down of that which I can supply for the record. Of course, as the Administrator indicated, there has been about $62,000,000 of that committed to date.

Mr. BISSELL. Mr. Chairman, I have the details on that. The exact amount committed to date is $63,492,000.

The CHAIRMAN. That represents the obligations to this point?

Mr. BISSELL. It is the total of procurement authorizations actually issued by ECA.

The CHAIRMAN. Would you be able to give us total allotments?

Mr. BISSELL. This is a break-down of the commitments, which, of course, represent only a fraction of the allotments. We can supply this statement for the record, which I am handing to you at this time. This is broken down by countries and by commodities.

The CHAIRMAN. You mean that this statement of typewritten items is to be added to the pencil memorandum you have handed me?

Mr. BISSELL. That is correct, sir. Those pencil items add up to only $55,000,000. As you can see the added amount represents some acquisitions acted upon yesterday for shipments to Italy.

The second table is a break-down of the same total but by commodities. It does not represent an additional set of figures.

The CHAIRMAN. I think I would like to have you put those details in the record.

Mr. CAWLEY. Mr. Chairman, going back to my previous statement, I have a detailed analysis here of the spread of the $1,000,000,000.

I wonder if you would care to have that inserted in the record and brought up to date, to reflect the obligations as indicated on the two schedules Mr. Bissell has just handed you.

The CHAIRMAN. This statement is a break-down of allotments?

Mr. STEFAN. Is that the $800,000,000, Mr. Cawley?

Mr. CAWLEY. Yes. We have set up $800,000,000; $200,000,000 is still reserved by the President.

The CHAIRMAN. All there is to this is an allocation of $800,000,000 to the Administrator?

Mr. CAWLEY. That is correct.

The CHAIRMAN. There seems to have been an allocation by objects of $332,250,000, of which $2,250,000 seems to be allocated to the Economic Cooperation Administration for administrative expenses; $250,000,000 for program expenses. Does that mean for the purchase of commodities, or does it mean something else?

Mr. CAWLEY. No; that is for the purchase of commodities.

The CHAIRMAN. I think the title is not too accurate. There seems to be $65,000,000 allocated to Agriculture and that is under "Expenses." Does that mean also the purchase of commodities?

Mr. CAWLEY. The $65,000,000 is for purchase of commodities. The word "expenses" is merely the title of the basic appropriation and is attached to all of the allotments and allocations, whatever their purpose.

The CHAIRMAN. There is another item which seems to go to the Army for $10,000,000; what is that?

Mr. CAWLEY. That is likewise a procurement allocation against which procurement authorizations will be issued from time to time.

The CHAIRMAN. This is for procurement of commodities also?

Mr. CAWLEY. Yes, sir.

The CHAIRMAN. Then there is $5,000,000 for expenses allocated to Treasury; is that likewise for commodities?

Mr. CAWLEY. Yes, sir.

ALLOWANCE TO AGENCIES FOR OPERATION EXPENSES IN CONNECTION WITH PROCUREMENT PROGRAMS

The CHAIRMAN. I think that as you get to that table the allocations should show what they are for; that is, whether they are for administrative expenses or for the purchase of commodities; at least that much, because I think otherwise it might be confusing.

Mr. CAWLEY. Yes, sir; Mr. Chairman, I would like to state at this point that that table was made up this morning and it will have to be revised and brought up to date for you. I would like to point out, in connection with the procurement allocations made to these various agencies that we have initially set up a 1 percent amount for operations expenses to be incurred by them, for their expenses in connection with their operations on this procurement program.

Mr. WIGGLESWORTH. Does the 1 percent come out of the respective amounts in column 2, out of the first item?

Mr. CAWLEY. Not the $2,250,000 item which is all administrative expenses, but it will come out of the other respective amounts, eventually. For example, if we have around $65,000,000 allotted to agriculture, the expense against that procurement would represent 1 percent, so that $650,000 would be available for operating expenses in

connection with these procurements. The 1 percent operations allowances are included in the amount for each procurement authorization as they are issued.

DETAILS OF STATUS OF FUNDS, AID AUTHORIZED BY COMMODITIES OR SERVICES, AND BY COUNTRIES

The CHAIRMAN. I think that table should appear.

(The statement referred to follows:)

Status of funds as of Apr. 19, 1948, title I of the Foreign Assistance Act of 1948

Appropriation symbol and title		Allocations received by ECA	Allocations issued by ECA	Allotments and procurement authorizations	Estimated obligation
RFC advance to the President: 118/90041, Foreign Assistance, Executive Office of the President, Apr. 3, 1948 to Apr. 2, 1949	$1,000,000,000				
Allocation by President to the Administrator: 118/95400, expenses, Economic Cooperation Administration, Executive Office of the President, Apr. 3, 1948 to Apr. 2, 1949		$800,000,000			
Allocations issued by the Administrator:					
118/95400(01), expenses, Economic Cooperation Administration, Executive Office of the President (allotment to ECA, for administrative expenses) Apr. 3, 1948 to Apr. 2, 1949			$2,250,000	$1,250,000	[1] $55,000
118/95400(02), expenses, ECA (allotted to ECA for program expenses) Apr. 3, 1948 to Apr. 2, 1949			250,000,000	13,264,000	13,264,000
12-118/95400, expenses, ECA (allotted to Agriculture) Apr. 3, 1948 to Apr. 2, 1949			65,000,000	46,720,000	(2)
21-118/95400, expenses, ECA (allotted to Army) Apr. 3, 1948 to Apr. 2, 1949			10,000,000	3,498,376	(2)
20-118/95400(25), expenses, ECA (allotted to Treasury) Apr. 3, 1948 to Apr. 2, 1949			5,000,000		
Unallocated by the President		200,000,000			
		1,000,000,000	332,250,000	64,732,376	13,319,000

[1] Includes estimated obligations for personal services in the amount of $2,077.31 and actual obligations for other administrative expenses of $52,922.69.

[2] Information not available at this date.

STATEMENT 1.—*Economic Cooperation Administration aid authorized [as of Apr. 19, 1948, by countries*

Participating country	Amount of procurement authorized	Classification of aid—Commodities or services		Amount
		Code	Description	
Austria	$7,980,000	021	Meat and meat products	$1,250,000
		025	Vegetables and preparations, edible	784,000
		051	Bread grains	3,025,000
		054	Flour and related products	1,130,000
		071	Animal oils and fats, edible	550,000
		096	Seeds, except oilseeds	403,000
		85	Ocean transportation	838,000
France	27,782,000	051	Bread grains	14,112,000
		054	Flour and related products	5,650,000
		239	Miscellaneous coals and related fuels	5,658,000
		85	Ocean transportation	2,362,000

STATEMENT 1.—*Economic Cooperation Administration aid authorized as of Apr. 19, 1948, by countries*—Continued

Participating country	Amount of procurement authorized	Classification of aid—Commodities or services		Amount
		Code	Description	
Greece	$7, 357, 000	022	Dairy products	$937, 000
		023	Fish and fish products	331, 000
		051	Bread grains	4, 032, 000
		054	Flour and related products	1, 130, 000
		85	Ocean transportation	927, 000
Italy	11, 536, 376	051	Bread grains	3, 136, 000
		054	Flour and related products	1, 535, 940
		055	Prepared cereals and macaroni products	556, 436
		239	Miscellaneous coals and related fuels	6, 000, 000
		85	Ocean transportation	308, 000
Netherlands	8, 827, 000	051	Bread grains	8, 071, 000
		85	Ocean transportation	756, 000
Total	63, 482, 376			

STATEMENT 2.—*Economic Cooperation Administration aid authorized as of Apri 19, 1948, by commodities or services*

Commodity or service	Amount of procurement authorized	Classification of aid	
		Country	Amount
Meat and meat products	$1, 250, 000	Austria	$1, 250, 000
Dairy products	937, 000	Greece	937, 000
Fish and fish products	331, 000	do	331, 000
Vegetables and preparations, edible	784, 000	Austria	784, 000
Bread grains	32, 376, 000	do	3, 025, 000
		France	14, 112, 000
		Greece	4, 032, 000
		Italy	3, 136, 000
		Netherlands	8, 071, 000
Flour and related products	9, 445, 940	Austria	1, 130, 000
		France	5, 650, 000
		Greece	1, 130, 000
		Italy	1, 535, 940
Prepared cereals and macaroni products	556, 436	do	556, 436
Animal oils and fats, edible	550, 000	Austria	550, 000
Seeds, except oilseeds	403, 000	do	403, 000
Miscellaneous coal and related fuels	11, 658, 000	France	5, 658, 000
		Italy	6, 000, 000
Ocean transportation	5, 191, 000	Austria	838, 000
		France	2, 362, 000
		Greece	927, 000
		Italy	308, 000
		Netherlands	756, 000
Total	63, 482, 376		

The CHAIRMAN. Mr. Cawley, I think we ought to have copies of these tables so that the committee may have the details in front of them when we get to asking questions.

Mr. CAWLEY. Yes, sir.

The CHAIRMAN. Is there anything else you wish to tell the committee, Mr. Hoffman?

Mr. HOFFMAN. I will try to answer any questions you may have, Mr. Chairman.

The CHAIRMAN. I think for the time being that is about all I have to ask. I do not feel, at this point, that I should go any further until we get a little more of the detailed developments.

DISCUSSION OF ORGANIZATION OF ECA

Mr. WIGGLESWORTH. Without going into the details I would like to ask the Administrator if he can tell us, in general terms, what will be the size of the over-all set-up he contemplates (a) on America, and (b) on the other side of the water.

Mr. HOFFMAN. I can tell you in general. We expect to hold down the personnel to the very smallest possible number and it is our expectation in this country that we will farm out all the work we can farm out, and when the missions are set up abroad we hope to follow the same procedure.

It is almost impossible to make anything but a wild guess as to what number of people will be employed, because here again more supervision might result in much sounder expenditure of dollars.

I would guess that we ought to have something like 500 people, when we get going, on this side, and perhaps 1,000 people abroad. That is subject to considerable change.

ALLOCATION FOR ADMINISTRATIVE EXPENSES

Mr. WIGGLESWORTH. You have in here $15,000,000.

Mr. HOFFMAN. Yes. I think originally it was $20,000,000 if I remember correctly.

Mr. CAWLEY. Yes.

TECHNICAL SERVICES

Mr. HOFFMAN. $20,000,000 was set up for administrative expenses. We are hoping that we can handle the administrative expenses within the $15,000,000, but this item of technical services for which $1,000,000 is budgeted—and we are now budgeting $6,000,000—is one that we cannot tell much about, because that is where it is quite possible later on we might have to go back and ask for a very substantial increase; we do not know as yet.

Mr. WIGGLESWORTH. That is for advisory personnel?

Mr. HOFFMAN. That is technicians in these various industries where you undertake to get production increased, and experts in the agricultural field; of course we do not know as yet, but it seems to us that one of the commodities we can export that may result in the quickest step-up is know-how. That has got to be handled tactfully. We cannot go over to these countries and tell them how they are to run their business in a crude manner, but we think we can work out the situation in such a way that they will want to have the knowledge we have in this country, both industrial production and agricultural production. When we study the field and realize how low their output has been per man, both in the field of industrial and agricultural production we feel that one of the greatest contributions we can make to them is through the export of know-how.

BILATERAL AGREEMENTS WITH NATIONS TO BE AIDED

Mr. WIGGLESWORTH. I understand that at the Paris Conference last summer each nation indicated specific targets in terms of increased production, in terms of putting in their currency, budget,

and so forth, which they contemplate will be included in the bilateral agreement.

Mr. HOFFMAN. That is right.

Mr. WIGGLESWORTH. These bilateral agreements are negotiated by the State Department, are they not?

Mr. HOFFMAN. That is right.

Mr. WIGGLESWORTH. And as yet they have not been entered into.

Mr. HOFFMAN. No.

Mr. BISSELL. The law provides that they shall be negotiated by the State Department working cooperatively with the Administrator, and the arrangement has been made for mutual negotiations on their part.

Mr. HOFFMAN. I think I should say that we are in complete accord with the policy the State Department is adopting in trying to build up the European organization, the Committee for European Economic Cooperation, I believe is the full name of it and to channel the activities into that organization, because this program again if successful must have not only the maximum help in this country but the maximum mutual help between the countries.

Mr. WIGGLESWORTH. These bilateral agreements, as I understand your conclusion, are a condition precedent to any substantial aid under the program; is that right?

Mr. HOFFMAN. Yes.

Mr. WIGGLESWORTH. And they must be concluded first.

Mr. HOFFMAN. That is right.

Mr. BISSELL. If I may interpose again: The program provides that for the first 90 days temporary aid may be extended if the receiving countries have formally indicated their intention to negotiate such agreements, but 90 days after the effective date of the program agreements must be in force or the aid to the country in question must be closed.

Mr. WIGGLESWORTH. Was that formal indication given at Paris, or must it be given since then?

Mr. BISSELL. That formal indication must be given in a specific letter of intent.

Mr. WIGGLESWORTH. And have those been received, and if so to what extent?

Mr. BISSELL. I think none has been received, and possibly the most that has been done so far has been the preparation of the United States side of the indicating document, indicating to the Government what their letters of intent must state. That indication has gone out to them and it is expected that letters of intent will be received from all the governments in the course of the next few days.

PROPOSAL FOR ARRANGEMENTS AS TO LOANS AND GRANTS

Mr. HOFFMAN. I think perhaps, Mr. Wigglesworth, we should add this, that we are also proposing, of course, working with the NAC—the National Advisory Council—to enter into definite arrangements as to what proportion of the amounts advanced during the first quarter are loans and what proportions are grants. We have a strong feeling that the loans should be loans and grants should be grants and the two should not be mixed, and that there should be nothing left to uncertainity, so that within a short time after we proceed we expect

to have that all cleaned up and the countries will know exactly what proportion of the first-quarter allotment will be grants and what will be on loan basis.

Mr. WIGGLESWORTH. The $800,000,000 already allotted is exclusively on a grant basis?

Mr. BISSELL. The sum alloted is merely an allocation.

Mr. WIGGLESWORTH. The language here refers to grants within the allocation.

Mr. CAWLEY. The $800,000,000 has not been allotted as yet.

EXPORT CONTROL

Mr. WIGGLESWORTH. The matter of export control is left as is?

Mr. BISSELL. Yes.

Mr. WIGGLESWORTH. It is brought under cooperation and run in consultation with the Administrator.

Mr. HOFFMAN. That is right.

ADMINISTRATIVE EXPENSES AND TECHNICAL EXPENSES

Mr. STEFAN. What do you feel the administrative costs will be; about what percentage?

Mr. HOFFMAN. About $15,000,000 against the total.

Mr. STEFAN. You have $20,000,000 here.

Mr. HOFFMAN. $21,000,000, including the technical services, against the total.

Mr. STEFAN. You do not have that set up in the justification yet. Have you been before the Bureau of the Budget on the administrative expense set-up?

Mr. HOFFMAN. I have not personally.

Mr. CAWLEY. At one stage an estimate was submitted to the Bureau of the Budget for approximately $20,000,000 for administrative expenses, which the Bureau of the Budget reviewed and turned over to the Administrator.

Mr. STEFAN. Did not the Budget decrease that some?

ADJUSTMENTS BY BUREAU OF BUDGET

Mr. CAWLEY. The Budget suggested certain adjustments to him, many of which the Administrator concurred in. As indicated before, he is asking for a $15,000,000 budget, for administrative expenses, and $6,000,000 for technical expenses, which figures have the approval of the Budget.

Mr. STEFAN. That makes the $21,000,000?

Mr. CAWLEY. Yes, sir.

Mr. STEFAN. There was some decrease made by the Bureau of the Budget on other items, was there not?

Mr. CAWLEY. The principal item that they reduced, Mr. Stefan, had to do with the transfer of amounts to other agencies for their participation in this program. The original total of the requests from these other agencies was approximately $14,000,000. The Bureau of the Budget has made a detailed study of those requests and came to the conclusion that we should allow these agencies about $4,000,000, which is the figure included in our $15,000,000 estimate for administrative expenses.

TIME REQUIRED TO DEVELOP ORGANIZATION

Mr. STEFAN. When will you be prepared to give the committee a break-down of this entire organization and the salaries of each employee?

Mr. CAWLEY. I am afraid that it will be 2 or 3 months before we can furnish that.

Mr. STEFAN. Why?

Mr. CAWLEY. We have no formal organization yet.

Mr. STEFAN. You will have about 500 in the United States and about 1,000 in Europe.

Mr. CAWLEY. Yes, sir.

Mr. STEFAN. Your administrative set-up was explained by the Administrator, Mr. Hoffman, a little while ago, but you will not be able to give the committee any information as to the individuals and the entire administrative set up for 2 or 3 months?

Mr. CAWLEY. We based our estimate on one-sixth lapses, which allows for 2 to 3 months' delay in filling positions.

This organization is going to develop slowly, and I am certain we cannot tell you at this time what the organizational set-up will be, along with the functions and the details of the positions.

Mr. STEFAN. Did the Budget ask you for that?

Mr. CAWLEY. They asked what State used when the budget was originally prepared. The original budget and organization have not yet been adopted. I would like to explain at this point, Mr. Stefan——

BUDGET SUMMARY FOR ADMINISTRATIVE EXPENSES

Mr. STEFAN (interposing). You must have had some kind of a staff presented to the budget, did you not, when you appeared before them?

Mr. CAWLEY. Yes; there was one submitted.

Mr. STEFAN. You had an organizational chart; did you not?

Mr. CAWLEY. Yes, sir.

Mr. STEFAN. Can you not give that to the committee?

Mr. CAWLEY. Yes; we can, but we have not adopted it. Rather, I would prefer to tell this committee about how far we think the $15,000,000 administrative budget will permit us to go, allowing approximately 500 people in the United States and approximately 1,000 overseas, of which 700 will be American citizens and 300 aliens; and some of the other expenses necessary to get this organization under way. I do have some details by objects of expenditure.

Mr. STEFAN. May we have that?

Mr. CAWLEY. Yes; I can supply that information for the record, and can explain it as we get into the details.

(The matter referred to is as follows:)

Budget summary for administrative expenses, April 3, 1948–April 2, 1949

DEPARTMENT SERVICE

Personal services:		
Full-time personnel, 500, average salary of $5,400 less 1/6 lapse	$2,250,000	
Consultants and members advisory board at $50 per day, 31 man-years (30 consultants, 12 advisory board members)	400,000	
		$2,650,000
Other objects:		
Travel, based on 75 regular travelers at $1,427 per annum, 30 WAE consultants at $1,163 per annum, 12 advisory board members, at $960 plus 100 overseas trips, at $1,300	283,000	
Transportation of things, average cost of $2 per employee, plus shipment of personal effects of 40 persons, at $750 each	31,000	
Communication services, average cost of $195 per person per year—Department average at WPB	97,000	
Rents and utility services, average of $6 per person per year, plus $225,000 reimbursement to PBA for building rental	228,000	
Printing and binding, standard forms, etc., $14 per person, plus $160,000 for reports to Congress and $27,000 for miscellaneous items	194,000	
Other contractual services, basic average cost of $58 per person per year, plus maintenance of building, $38,000, alterations to buildings, partitioning, etc., $100,000; hire of aircraft $30,000; entertainment, $25,000; and professional services, $58,000	280,000	
Supplies and materials, average of $50 per person per year	25,000	
Equipment, basic office set-up at $690 per person, plus office machines at $53,000; filing equipment, $63,000; motor vehicles, $21,700, and miscellaneous	482,000	
		1,620,000
Total		4,270,000

OVERSEAS SERVICE

Personal services:		
Full-time United States personnel, 700, average salary of $6,000 less 1/6 lapse	$3,500,000	
Full-time alien personnel, 300, average salary of $1,300 less 1/6 lapse	325,000	
Living and quarters allowance, cost-of-living allowance estimated at $985 per United States employee and quarters allowance at $1,391. No Government-owned quarters are available for ECA personnel	1,638,000	
		5,463,000
Other objects:		
Travel, 641 initial assignments, 176 replacements and 489 dependents at $440 each; 46 round trips to United States at $945 each; balance is overseas travel at per diem rates established by Budget Bureau, $259,890. Average of 90 days per year per officer	878,000	
Transportation of things. Shipment of personal and household effects for 641 initial assignments, 176 replacements and 43 intra-area reassignments, at $1,413 each. Also transportation of supplies and equipment from United States and between offices in Europe—$193,000	1,408,000	
Communications. State Department average plus 50 percent because of increased activity	411,000	
Rents and utility services. Rental of office space—114,100 square feet at $1.67 per foot; $10,000 miscellaneous equipment and utilities	201,000	
Printing and binding. At State Department average of $40 per United States employee	28,000	
Other contractual services. State Department average $42 per person, plus official residence allotment $9,200, entertainment fund $67,000 and contingency item $200,000	318,000	
Supplies and material. At State Department average of $59 per employee, all types	59,000	
Equipment. Same allowance rate as for Department service, only for 1,000 employees instead of 500	964,000	
		4,267,000
Total		9,730,000

SUMMARY OF FUNDS

Department service	$4,270,000	
Overseas service	9,730,000	
Transfers to other Federal agencies	4,000,000	
		18,000,000
Less:		
Savings through foreign currency utilization	1,500,000	
Savings through utilization of State Department administrative staff	[1] 1,500,000	
		3,000,000
Total		15,000,000

[1] Utilization of State Department administrative staff will save 133 United States personnel and 103 alien.

The CHAIRMAN. I thought the committee might take up the details later on after we have completed with the general statement of Mr. Hoffman.

Mr. STEFAN. Then I will not get into the details, except one or two questions on the general statement. You indicated that you have already allocated about $800,000,000 of the first $1,000,000,000?

Mr. CAWLEY. No.

Mr. HOFFMAN. This allocation which came this morning is in tentative form.

Mr. CAWLEY. Of the $1,000,000,000 that has been allocated to ECA, $800,000,000; the President still has in reserve $200,000,000.

Mr. STEFAN. Has anything been shipped yet, Mr. Cawley?

Mr. CAWLEY. Yes.

DISCUSSION OF PROBLEM OF BUILDING UP PRODUCTION AND RESOURCES OF PARTICIPATING COUNTRIES

Mr. STEFAN. I am going to ask a question, and I do not know whether it should be on the record, but my attention was called to this article in the Washington Evening Star.

Britain plans to manufacture and ship to Russia 1,100 railroad locomotives, 150 Diesel electric generators and 300 electric motors of the 100-kilowatt type during the next 3 years.

This has just been disclosed by the board of trade with the publication of a white paper detailing all of the machinery and equipment Britain has agreed to send Russia under their new trade pact. The list includes 2,400 flat trucks, 2,400 winches, 210 excavators, 250 caterpillar loading cranes, 24 power turbine stations, and a number of tugs, dredges, cranes, and oil-refining equipment.

In return, Britain will get 450,000 metric tons of barley, 200,000 tons of corn, and 100,000 tons of oats, Incidentally there are 40 bushels in a metric ton.

Export authorities say some of the equipment undoubtedly will be manufactured from steel coming to Britain under the Marshall aid plan.

Under the present provisions of the Marshall program Britain will get $141,000,000 worth of electrical equipment from the United States. Vast amounts of iron and steel also are to be shipped here.

Most of the equipment going to Russia could be sold in Argentina and in other parts of the world for United States dollars. But Britain takes the position that it needs rough grins to increase its dairy and cattle production so badly that it is willing to send scarce machinery to the Soviet Union.

Under terms of the agreement, the British and Russians will hold new talks, probably in May, to broaden their trade. It is planned that the exchange will be kept in balance so there will be no transfer of currency.

I am bringing that to your attention now, Mr. Hoffman, because there will be attempts to use that as an illustration, that here we are inplementing the Marshall plan with appropriation, and our purpose is to help these countries recover their economic condition in this fight against communism.

Now would you care to comment on that?

Mr. HOFFMAN. I would be happy to comment on it, Mr. Stefan.

We have reached this conclusion that we do have to consider these economies as a whole. We cannot deal with any single country and on particular items. We have got to say here is the problem and the program is, of course, to build up production and to build up the resources of these free countries. That does not mean, in my opinion, that we ought to try to shut off trade between the East and the West because I think that would be biting off our nose to spite our face and would throw too great a financial burden on us.

It does mean that we have a perfect right, in dealing with foreign countries, and in dealing with our own program as a whole, to say, "Here; you are getting help from us and if that is going to serve some purpose that does help meet the major objective we are striving at we can immediately challenge it." In other words, if we are sending them our own capital to build up their own industry, as long as they are putting every dollar into the production of food and clothing and shoes and other materials which they need, there would be no question; but when they cease to do that I think we have a perfect right to take a look at the program to see whether their efforts are synchronized with this Marshall program that we are trying to develop in America in an effort to build up the prosperity of these countries.

Mr. STEFAN. You stated a moment ago, Mr. Hoffman, that we cannot go to these countries and just tell them how to run their business.

Mr. HOFFMAN. That is right.

Mr. STEFAN. Just in that way; but we can, perhaps, endeavor to help them step up their production by mutual aid and through mutual agreement.

Mr. HOFFMAN. That is right.

Mr. STEFAN. Now, how are you going to stop the movement of locomotives and other materials which may be used against us if they get into the hands of a potential enemy?

Mr. HOFFMAN. I do not think that is too difficult a problem, provided we insist on the right to examine the program as a whole, and in my opinion we have such right to examine the economy as a whole. In other words, are the things that we are sending them being used to build up the prosperity of these democracies? And if we find they are using the aid we send in trades of the wrong kind, and they are using them in the wrong way, I would say that we have a perfect right to raise that question.

Mr. STEFAN. Of course, you realize there has been a tremendous amount of pressure on the Members of Congress to stop the export of war materials to a potential enemy.

Mr. HOFFMAN. Mr. Stefan, I think that our approach to that ought to be a very hard-boiled approach, in view of the objectives that we are seeking to carry out through the European program to assist in the recovery of prosperity in these European countries. But, as I say, I think that means that trade of certain kinds should be encouraged along that line and we have a perfect right to challenge it if it is not.

Mr. STEFAN. You are not prepared at this time to tell us about your organization; I think you said that would come later.

Mr. HOFFMAN. Yes.

Mr. STEFAN. The committee cannot tell very much about the program for administration, then, in making appropriations.

Mr. HOFFMAN. I can say that we have 88 people now on the pay roll as of this morning, and we have a few people down here this morning. We are building up the staff as rapidly as we can and build it soundly. I think we can perhaps give you a progress report as we go along; if you want that, we can do it.

Mr. STEFAN. Well, as the chairman has indicated, we can go into the details later.

Mr. HOFFMAN. Yes.

Mr. CASE. Mr. Hoffman, you gave us the names of three or four people whom you designated as key people. How many key positions do you envision at this time, and what are they?

Mr. HOFFMAN. I would say first of all, we have the field organization, the heads of the mission; the mission heads are key people, obviously, and then they are graded down considerably. We do not have to worry much about them in the case of Portugal and Switzerland; a few people there for a short time would suffice.

NEED FOR MISSIONS IN PORTUGAL AND SWITZERLAND

The CHAIRMAN. Why would you need them in places where they can pay cash?

Mr. HOFFMAN. I do not think we would need them at all, except——

The CHAIRMAN. Why should that not go through the regular trade channels?

Mr. HOFFMAN. As far as I am concerned it should.

The CHAIRMAN. Why should they burden your organization with it?

Mr. HOFFMAN. Except as we get into the question of mutual aid. I think it is an advantage to have them at places like Switzerland and Portugal in the European set-up.

DISCUSSION OF METHOD OF PROCUREMENT TO BE UTILIZED

The CHAIRMAN. Yes; but it takes it out of the channels of commerce and puts it through the channel of buying everything through the Government.

Mr. HOFFMAN. No.

The CHAIRMAN. And that is a very bad trend.

Mr. HOFFMAN. That is not what I understand. Suppose you take over, Mr. Bissell, and give the committee your present understanding of how this is going to work.

Mr. BISSELL. Mr. Chairman, we would not carry on in countries like Switzerland and Spain—we would not make any change there whatsoever in the way in which goods are moving; and moreover it is our hope and intention that in the case of most of the countries that are receiving financial assistance, whether grants or loans, the trade, the physical trade, should be returned as rapidly as practicable to private commercial channels. Let me give you one or two examples of what I mean. So far, as you know, it has been the practice in recent months, for instance, for all wheat for export from the United States to be procured through the United States Government, through the Commodity Credit as the procurement agency, and that method of procurement will continue at least for some months to come. On the other hand——

The CHAIRMAN. You mean that every country to which we make exports of wheat has got to go through the Commodity Credit operation?

Mr. BISSELL. My understanding is that the present practice, at least so far as the 16 countries are concerned, is for them to obtain any wheat they buy in the United States in that fashion, but it is certainly not our intention that when they——

The CHAIRMAN (interposing). That makes it about the worse possible method of procurement.

Mr. BISSELL. One of the matters that the Administrator will be concerned with in the next few weeks is the possibility of limiting or narrowing the area of Government procurement that already exists.

But the main point that I want to emphasize is that when ECA begins a financial movement of production, and other commodity fields wish to have arrangements made for them, we certainly do not intend to have them publicly procured in the United States.

And my own personal opinion is that within a few months we can move rapidly away from the Government procurement, and spread the areas where that has been done as far as possible.

That is a question, expressing my own personal opinion, that I can say we have not had the time to give serious consideration to; and obviously we have to consider it in view of the other agencies of the Government that are concerned; but it is our intention to give all the assistance we can to private buying, with the machine we have—and this will vary to some extent—whereby the ECA assistance should be given to the countries under which the import of items will be done through private channels.

Mr. CASE. It is not a fact that the reason for bringing in these cash purchases and the other areas is that the ECA envisions planning the trade and economy of the countries participating?

Mr. HOFFMAN. If by that you mean over-all planning, my answer would be "No"; we do not consider that to be our task at all. I will state—and I am just repeating myself that what we want to do is to stimulate increased productivity in the plants and in the agricultural area; that in my opinion would not be promoting, I believe, any over-all economy planning.

DISCUSSION OF KEY POSITIONS PLANNED FOR ECA

Mr. CASE. I want to get back to the first part of your testimony, but first let me ask you what key positions you are planning? Mr. Bissell, as I understand, is to be general assistant?

Mr. HOFFMAN. Director of Operations.

Mr. CASE. Director of Operations?

Mr. HOFFMAN. Yes.

Mr. CASE. And Mr. Fitzgerald would be Director of the Food Organization?

Mr. HOFFMAN. Of food procurement; of the Food Section.

Mr. CASE. And who else do you have?

Mr. HOFFMAN. Mr. Taylor will be in charge of the fiscal—Monetary Section.

Mr. CASE. That is in the United States?

Mr. HOFFMAN. Yes.

Mr. CASE. Are there any other key positions?

Mr. HOFFMAN. We would have to have a Director of Information.

Mr. CASE. You will have a Director of Information?

Mr. HOFFMAN. Yes.

Mr. CASE. Has he been selected?

Mr. HOFFMAN. No.

Mr. CASE. That will be four?

Mr. HOFFMAN. Yes.

Mr. CASE. Is there anyone else?

Mr. HOFFMAN. We have to have a comptroller.

Mr. CASE. A comptroller. Have you selected him?

Mr. HOFFMAN. He has not been selected. The general counsel has been.

Mr. CASE. Your general counsel is Mr. Henderson?

Mr. HOFFMAN. Yes.

Mr. CASE. Is there anyone else?

Mr. HOFFMAN. We still have, of course, the deputy to appoint.

Mr. STEFAN. Was that Mr. Henderson with the RFC?

Mr. HOFFMAN. No; Mr. Henderson was formerly with the War Production Board.

BACKGROUND OF KEY PERSONNEL

Mr. CASE. I think you have already given in your testimony some statement concerning those already selected. Will you be good enough to insert in the record at this point a list of those who have been selected, with a little paragraph giving their educational background and the positions that he has held since his schooling?

Mr. HOFFMAN. I will be glad to do that.

Mr. CASE. And kindly add a list of the special key positions you expect to add to those you now have filled.

Mr. HOFFMAN. We will be glad to furnish that. We may have to revise, in a moderate way, any proposal we make, because in some cases they may have to be shifted around in order to make use of the best talent to the best advantage.

Mr. CASE. I recognize that you may have to change your organization.

Mr. HOFFMAN. Yes.

Mr. CASE. But I think we ought to have a little background in each case, with the salary proposed to be paid.

Mr. HOFFMAN. We will be glad to supply that information.

(The information requested follows:)

PAUL G. HOFFMAN, ADMINISTRATOR

Paul Gray Hoffman was born in Chicago, Ill., April 26, 1891, son of George Delos Hoffman and Eleanor Lott. He married Dorothy Brown in 1915 and has five sons (all overseas in the Army in World War II) and two daughters.

Mr. Hoffman was a student of the University of Chicago in 1908 and 1909, and holds honorary degrees from Rose Polytechnic Institute, University of Southern California, and the University of Rochester.

Mr. Hoffman started in automobile business as porter for Chicago distributor of Halladay car. In 1911 became salesman for Studebaker dealer in Los Angeles. Was made sales manager of the Los Angeles retail branch in 1915, and in 1917 became branch manager of the district. Served as first lieutenant, Field Artillery, United States Army, in 1917 to 1919. Purchased Studebaker Los Angeles retail branch in 1919. Became vice president of the Studebaker Corp. in 1925 and has been president since 1935.

Chairman of the board, Paul G. Hoffman Co., Hoffman Specialty Co.; class C director, Federal Reserve Bank of Chicago; director: Chicago Corp., New York Life Insurance Co., United Air Lines, Encyclopaedia Britannica, Encyclopaedia Britannica Films, Inc., Time, Inc.

Chairman: Committee for Economic Development, 1942–48; Automotive Safety Foundation. Honorary Chairman, United China Relief, Inc. Member: Business Advisory Council, Department of Commerce; visiting committee, Department of Government, Harvard University. Trustee: Tax Foundation; American Council, Institute of Pacific Relations, Inc.; University of Chicago; Kenyon College.

Mr. Hoffman has homes at Union Pier, Mich., and at 1500 El Mirador Drive, Pasadena, Calif.

Wayne C. Taylor, Director of Operations

Wayne Chatfield Taylor was born in Chicago, December 19, 1893, son of Hobart Chatfield-Taylor and Rose Farwell. He married Adele Margaret Blow in 1917 and has two sons and two daughters.

He graduated from Yale University in 1916. Mr. Taylor was employed by the Central Trust Co. of Illinois from 1916 to 1920. He was associated with Marshall Field, Glore, Ward & Co., investment bankers, from 1920 to 1927; vice president of Field, Glore & Co. from 1927 to 1931. He was with Nichols & Shepard Co. from 1924 to 1929 and was associated with the National Air Transport Co. from 1925 to 1927. He was in the Chicago Investors Corp. from 1930 to 1932. In 1933 he became assistant to the Administrator of the AAA. He served as special adviser to the President on foreign trade in 1934 and 1935, becoming vice president and treasurer of the Export-Import Bank in 1935. He served as Assistant Secretary of the Treasury from 1936 to 1939; as European delegate of the American Red Cross in 1939 and 1940, and as Under Secretary of Commerce from 1940 to 1945. In 1945 and 1946 he was President of the Export-Import Bank.

Mr. Taylor has been Director of the International Hudson Corp.; adviser to the United States representatives, third meeting of Ministers of Foreign Affairs of American Republics in Rio de Janeiro; a member of the Conference on Problems of War and Peace in Mexico City in 1945; a member of the Mexican-American Commission for Economic Cooperation; a member of the Advisory Committee to the Secretary of State on International Aviation; a member of the Trade Agreements Company and Planning Committee for Mineral Policy; treasurer of the American Red Cross; member of the special board of examiners for Foreign Service, Department of State; consultant War Assets Administration; member of the President's Committee on Crop Insurance; member of the Federal Farm Mortgage Corporation Board; member of the temporary National Economic Commission; member of the Board of Directors of Encyclopedia Britannica Films, Inc.; trustee of the Foreign Service Education Foundation; trustee of the Academy of Political Science; trustee of the National Planning Association; trustee of the American Geographical Society; trustee of the American Economic Association; trustee for the Committee for Economic Development; member of the American Academy of Political and Social Science.

Mr. Taylor served in World War I as first lieutenant and captain. He has been decorated by the Belgian, Finnish, Chilean, and Polish Governments. His home is at 1743 Twenty-second Street NW., Washington, D. C.

D. A. Fitzgerald, Director of Food

Education: University of Saskatchewan, B. S. A., June 1924; Iowa State College, M. S., June 1925; Harvard University, Ph. D., June 1938.

Positions: Iowa State College, 1925, research assistant, research in agricultural economics with emphasis on livestock marketing. 1928, marketing specialist—Extension work in marketing with emphasis on livestock marketing, part time; research in marketing, part time.

Social Science Research Council, New York City, 1932, research fellow, study and research at Harvard University.

Brookings Institution; 1933, economist, research in agricultural economics; appraisal of program of Agricultural Adjustment Administration. Author of Livestock Under the AAA, 1935.

United States Department of Agriculture: 1935, principal agricultural economist. In charge, Economics and Research Section, North Central Division,

Agricultural Adjustment Administration; primarily responsible for development and annual revision of agricultural conservation program for north central region.

1939, principal agricultural economist: Assistant head, Division of State and Local Planning, Bureau of Agricultural Economics; immediate responsibility for a major portion of the general agricultural program planning service for Secretary of Agriculture and Department as a whole.

1941, Head administrative officer: Chief, Production Division, Office of Agricultural Defense Relations; responsible for working with appropriate bureaus of the Department and with all other governmental and nongovernmental agencies in correlating defense and war needs for agricultural products with Department's agricultural program; Department's representative on Interdepartmental Shipping Imports Advisory Committee and similar committees prosecuting defense and war program.

1942, chief agricultural economist: Head, Division of Program Analysis and Development, Bureau of Agricultural Economics; primarily responsible for developing and continually reviewing national agricultural production goals; related programs for handling this production; and servicing the Secretary's Office and Bureau Chief.

1942, Assistant Director, in charge of requirements, Office for Agricultural War Relations; secretary of Food Requirements Committee: Responsible for guiding work of program branches, involving the collection, compilation, and analyses of military, civilian, and foreign requirements for American food; the development of over-all agricultural programs for meeting, insofar as possible, these requirements; and the preparation and submission to War Production Board, Office of Defense Transportation, War Manpower Commission, and others; requirements for agricultural supplies, processing facilities, transportation, and labor needed in the production programs; responsible for preparing all dockets covering these and related programs for consideration by the Food Requirements Committee.

1943, Deputy Director, Food Production Administration: In collaboration with the Director, responsible for planning, formulating, and developing production programs to provide food, feed, and fiber to the Nation. Coordinated technical adjustment and other programs affecting agriculture nationally and provided for correlating efforts by the War Food Administration, and Department, and other governmental bureaus and offices. Carried to conclusion assignments on emergency production and commodity problems.

April 1945, Director, Office of Requirements and Allocations: Served as Director of O. R. & A. and as special economic adviser to the War Food Administrator. Supervised and exercised control for the War Food Administrator over all activities relating to the determination of food requirements of claimants and the recommendations to the War Food Administrator of allocations among claimants. Served as Chairman of the Food Requirements and Allocations Committee and as chairman of other important committees established by the War Food Administrator. Advised the War Food Administrator on questions involving economic analysis of factors influencing production and distribution of agricultural products, both raw and processed.

August 1945, Director, Office of Requirements and Allocations, PMA: Formulated and executed policies, programs, and activities of the Office. Exercised control of PMA over-all activities relating to determination of food requirements of claimants and the recommendation to the Secretary of Agriculture of allocations among claimants. Recommended to the Administrator over-all policy with respect to national and international food requirements and allocations. Served as Chairman of the Food Requirements and Allocations Committee, Chairman of the Inter-Agency Food Importation Committee, Chairman of the Production Goals Review Committee, and as chairman of other committees established by the Administrator or the Secretary. Participated as deputy member for the United States in the activities of the Combined Food Board. Cordinated the rationing policies of the Department among PMA branches and between PMA branches and the OPA.

January 1946, Appointed Secretary of the Policy and Program Committee of USDA to review and coordinate policies and programs of the Department.

International Emergency Food Council: June 1946 to January 1948, Secretary-General. Granted leave of absence from United States Department of Agriculture to serve as Secretary-General, having been elected to post by unanimous vote of member nations. Council, with a total membership of 35 nations, was created to take over work of wartime Combined Food Board, and charged with responsibility of considering and formulating plans with regard to any question in respect of which member governments may have a common concern relating to the supply and distribution of foods, agriculural materials from which foods are derived

and equipment and nonfood materials used for the production of such foods; and to make recommendations to member governments in respect to any such question.

As Secretary-General, responsible solely to Council, directed international secretariat in servicing the Council, its Central Committee and commodity committees in discharge of above functions, involving (1) collection and analyses of data on world food supplies and requirements; (2) coordination of activities of commodity committees; (3) coordination of commodity programs and intercommodity negotiations; (4) liaison with member governments, entering into discussions between member governments whenever policy problems emerged which threatened to stalemate development of allocation recommendations and activities of commodity committees; (5) review and coordination of material developed by commodity committees for submission to Central Committee, Council and member governments; preparation of quarterly reports and other material involving policy questions for Council; (6) international public relations; and (7) collaboration with other international organizations dealing with food and ancillary materials, trade, monetary matters, etc.

Special assignments:

March-May 1946, appointed chief food consultant to the Honorable Herbert Hoover and accompanied him on the world food mission for the President of the United States, to 38 nations affected by food shortages for purpose of evaluating minimum needs, discovering additional food resources, and presenting American point of view on food problems of the world. Report of findings and recommendations were made to the President and to public.

February 1947, again appointed chief food consultant to accompany ex-President Hoover on the President's Economic Mission to Germany and Austria. Findings and recommendations on German and Austrian agriculture, food requirements, and economic reorganization, were submitted to President and released to public in a series of three reports.

June 1947, as special consultant to Secretary of War visited combined United States-United Kingdom zones of Germany to examine food situation, rations, production and collections, export-import activities, and economic conditions. Report made to Secretary of War.

Richard M. Bissell, Jr., Adviser to the Administrator

Born: September 18, 1909, Hartford, Conn.

Married: Ann Cornelia Bushnell, July 6, 1940.

Children: Richard Marvin Bissell III, January 13, 1942; Ann Harriet Bissell, January 18, 1944; Winthrop Bushnell Bissell, May 9, 1947.

Education: Kingswood School, 1916–22; Groton School, 1922–28; Yale University, 1928–32; B. A. degree; London School of Economics, 1932–33; Yale University Graduate School, 1933–39; Ph. D. degree.

Present address: 230 Brattle Street, Cambridge 38, Mass.

Present position: Massachusetts Institute of Technology, associate professor of economics.

Principal positions: Joined faculty of Yale University as research assistant in 1934.

Promoted to instructor in 1935 and served part-time in that capacity until 1938.

Assistant professor in Yale University September 1939 to April 1942.

Chief economic analyst, National Economics Unit, Division of Research and Statistics, Bureau of Foreign and Domestic Commerce, Department of Commerce, October 1941 to June 1942.

Associate professor of economics, Massachusetts Institute of Technology; on leave of absence: April 1942 to October 1946.

War Shipping Administration, April 1942 to December 1945; Division of Ship Control, economist to the Combined Shipping Adjustment Board April 1942 to October 1944; assistant to the Deputy Administrator, April 1942 to October 1942; Director, Division of Economic Policy, October 1942 to July 1943; Director of Ship Requirements, July 1943 to December 1945; executive officer of the Combined Shipping Adjustment Board October 1944 to December 1945; secretary, Shipping Employment Policy Committee of the United Maritime Authority March 1945 to December 1945.

Office of War Mobilization and Reconversion: Economic adviser to the Director December 1945 to March 1946; Deputy Director March 1946 to September 1946.

Massachusetts Institute of Technology, associate professor of Economics October 1946 to July 1948; Professor of economics July 1948—

Executive Secretary of the President's Committee on Foreign Aid: In charge of all staff work for this Committee. Initial duties consisted in recruiting staff

and arranging for the gathering of statistical and analytical material and transmission to members. Duties also included organizing meetings of the full Committee and of subcommittees, preparing agenda, keeping records, etc. In later phases of the work a number of technical consultants were employed and their work directed. The final phase of the work included the actual preparation of the Committee's report. In this phase the work consisted of (*a*) preparing original outline for the report and organizing and assigning responsibility for writing; (*b*) writing sections of the report; (*c*) editing and rewriting other sections in detail; and (*d*) general editorial supervision toward production of the whole report. July 1947 through January 1948.

Additional and consulting activities: Economic Adviser to the Connecticut Public Utilities Commission. Acted as general economic adviser to the Commission on types of cases coming before it, especially truck transportation rates. 1936–41.

Consultant to Fortune magazine. Acted as economic adviser to the managing editor and, in connection with particular articles, to other editors on the staff. Duties included review of economic analysis contained in drafts of articles and supervision of statistical investigations required. 1937–39.

Staff member of Committee on Employment for the Social Science Research Council. Prepared extensive analyses and reports on general and specific causes of unemployment and of the consequences for the level of employment of public and private policies. This work was carried on under the direction and with the advice of the Committee on Employment headed by Prof. Sumer H. Slichter. 1939–41.

Consultant to the Cosmopolitan Shipping Co. Prepared a report evaluating the prospects for a new foreign-flag dry-cargo shipping service between United States North Atlantic ports and the Caribbean coast of Venezuela and Colombia. The report involved mainly an analysis of the United States foreign-trade position in general, the current volume and probable development of imports from Venezuela and Colombia to the United States, the foreign exchange and economic positions of Venezuela and Colombia, and the probable value of exports to them. The report also touched more briefly on the competitive position in dry-cargo shipping to the area in question. September 1946 to November 1946.

Consultant to the United States Steel Corp. of Delaware. Retained by the United States Steel Corp. to direct an investigation into (*a*) the possibility of stabilizing employment in the corporation, and (*b*) the advantages, disadvantages, and costs to the corporation of annual guaranties of wages and employment, to prepare an exhaustive analysis of the economic consequences for the whole economy of the guaranteeing of wages and employment throughout industry generally. The former of these two assignments, that dealing with the position of the United States Steel Corp. alone, was done with the aid of an internal committee made up of four junior executives working under my direction. The latter assignment was carried out by me with research assistance and with the advice of a committee of five advisory economists. September 1946 to August 1947; February 1948.

Consultant to Scudder, Stevens & Clark. Regular consultation on short- and long-term prospects for the level of economic activity in the United States. Also a specific assignment to estimate the level of prices and of economic activity that should be regarded as "normal" for the postwar period. This work involved, mainly, aggregative statistical analysis together with careful review and appraisal of (*a*) general forecasts made by others, and (*b*) analyses of specific factors such as construction costs and prospects. April 1947.

Consultant to Coordinator of Exports. Prepared series of memoranda, reports and drafts of correspondence concerning the desirability of (*a*) continued operation of tankers by the United States Maritime Commission for Government account, and (*b*) the sale of additional surplus T–2 tankers to noncitizens for foreign-flag operation. This assignment did not involve original research in the demand for either petroleum products or tanker transportation. The work consisted of the assembly of generally accepted estimates and the preparation of various papers for use by the Coordinator. June and July 1947.

Consultant to the Brightwater Paper Co. Analyzed the present situation of a small manufacturer of writing paper and of the prospects for the industry to assist him in reaching a decision as to the best means of expanding his facilities (whether by new construction or by purchase) and, generally, of strengthening his competitive position. June 1947.

Consultant to Asiatic Petroleum Co. Retained to analyze and prepare a formal report on the pricing of Venezuelan crude oil. The investigation is directed toward finding some clear acceptable method or methods of measuring the com-

petitive market value of Venezuelan crude oil, such value to act as a general guide in the light of which the values of oils can be determined for both royalty and tax purposes to the satisfaction of the Venezuelan Government and the industry. The study includes an analysis of crude oil pricing methods in the United States. January 1948.

Minor consulting assignments: Fortune magazine. Occasional consultations with members of the editorial staff January 1946.

Gray & Rogers. Consultation with account executive of Gray & Rogers Advertising Agency concerning the drafting and presentation of a client's annual report. February 1948.

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List of publications:

The Rate of Interest, American Economic Review vol. XXVIII, No. 1, March 1938.

The Theory of Capital Under Static and Dynamic Conditions (dissertation for Ph. D degree Yale University, unpublished), May 1939.

Price and Wage Policies and the Theory of Employment, Econometrica, volume 3, July 1940.

Price, Costs and Investment, American Economic Review Proceedings, volume XXX, No. 5, February 1941.

The Anatomy of Public Spending, Fortune Magazine, part I, May 1942, part II, June 1942.

Contributor and editor of report of European Recovery and American Aid, Report of President's Committee on Foreign Aid.

Alexander I. Henderson, Acting General Counsel

Alexander Iselin Henderson was born in New York, May 11, 1892, son of Edward Cairns and Helen (Iselin) Henderson. He married Priscilla Alden Bartlett in 1922.

He graduated from Harvard in 1913 and received a degree from Trinity College, Cambridge, England, in 1913. He graduated from Harvard Law School, cum laude, in 1916.

Mr. Henderson was admitted to partnership in the predecessor firm of Cravath, Swaine & Moore in 1923. He was a partner in J. & W. Seligman & Co. from 1928 to 1932, and again became a partner in Cravath, Swaine & Moore in 1933.

During the early part of World War II, Mr. Henderson worked for the War Production Board, first as Deputy Director of Materials and then as Deputy Director General for Industries. In November 1942 he received his commission as lieutenant colonel, going overseas a month later. He served in the European zone until June 1945 as deputy port commander at Naples and Marseilles.

In World War I, Mr. Henderson served with the American Ambulance Field Service in 1915, and became a member of Squadron A, New York National Guard in January 1917. At the end of the war, he was a captain in the Seventh Field Artillery, First Division. Following the war, he was attached to the Peace Commission from April to August 1919. He was awarded the Legion of Merit, Croix de Guerre, Fourragere. He served on the Mexican border, New York National Guard, from June to December 1916.

Mr. Henderson is a member of the American, New York State, New York County, and New York City bar associations. His home is at 33 East Seventieth Street, New York City, and his office has been with Cravath, Swaine & Moore, 15 Broad Street, New York City.

Gaston E. Marque, Acting Director of Information

Born: March 12, 1908, Belrupt, France.

Father: French Army officer. Killed 1916, in action.

Mother: Remarried to American soldier in 1919 and shortly thereafter established residence in Chicago.

Education: Four years high school in Chicago. One year at Crane Junior College in Chicago. Approximately 1 year as reporter on Chicago Journal of Commerce, starting 1928.

1929 joined the Wall Street Journal editorial staff in Chicago and served in Washington bureau and in New York until November 30, 1941, except for a 3 months' period in 1941, when employed by Pennsylvania-Central Airlines.

On December 1, 1941, joined the Studebaker Corp. as director of public relations, the position he still holds.

JAMES M. CLEARY, CONSULTANT

James Mansfield Cleary was born in Hubell, Nebr., January 19, 1887, son of Michael Cleary and Kate McPhelim. Married Evelyn Morency in 1916, and they have four daughters and two sons.

He graduated from the University of Illinois in 1906 and received a degree in law from Northwestern University in 1909.

Mr. Cleary was employed as a reporter and editor by the Chicago Tribune from 1907 to 1912. Was employed as reporter and editor by the Los Angeles Times in 1913 and reemployed by the Chicago Tribune as editor and advertising executive from 1913 to 1916. He was engaged in the real-estate business in Chicago from 1916 to 1918 and was employed by the Chicago Tribune in charge of promotion, public service, radio station WGN, and other activities until 1925.

From 1925 to 1932 Mr. Cleary worked for the Studebaker Corp. at South Bend in charge of sales research, advertising, as sales manager, and as president of a truck subsidiary. In 1933 he became president of the White Co. at Cleveland, Ohio, leaving to enter the advertising agency of Roche, Williams & Cunnyngham of Chicago, now Roche, Williams & Cleary.

Mr. Cleary was elected a trustee of the University of Illinois for a 6-year term in November 1936 and also served as president of the board of trustees. In 1943, under the direction of Gen. Lucius Clay, he organized a contract termination branch in the War Department and in 1944 assisted in the organization of the Office of Contract Settlement. Mr. Cleary had charge of raising one-half million dollars for the United China Relief in Chicago in 1942 and 1943, served as chairman of the mayor's committee for patriotic action in Chicago during 1944 and 1945. He was a director of the Chicago Times from 1942 to 1947.

Mr. Cleary's home is at Kenilworth, Ill., and his office is at 135 South La Salle Street, Chicago.

GEORGE NEBOLSINE, CONSULTANT

George Nebolsine was born in Sevastopol, Russia, May 1, 1902, son of Admiral Nebolsine (killed in World War I) and Caroline Wilkens. Came to the United States in 1919.

He graduated from Williams College in 1923, Princeton University (A. M.), 1924, and Yale School of Law, 1930.

He joined the firm of Cotton & Franklin in New York in 1930. Became a partner in 1936. He was engaged in the general practice of law, including participation in appeals to the United States Supreme Court in several important cases. He was a visiting lecturer on administrative law at the Yale Law School from 1938 to 1940. Has had experience with legal matters both in the United States and in Europe.

Mr. Nebolsine is a member of the New York City and New York State Bar Associations, president of the Trade and Commerce Bar Association, and member of various international law associations. His home is at 430 East Eighty-sixth Street, New York City, and until his recent withdrawal from his firm, his office has been Cahill, Gordon, Zachry & Reindel, 63 Wall Street, New York.

Key positions unfilled: deputy administrator; comptroller; executive assistant.

Mr. CASE. I do not expect to ask any questions with reference to the details of the budget at this time, but I would like to know whether or not you personally participated in the preparation of these items in the budget?

Mr. HOFFMAN. No; I did not. You mean, the budget discussion of these several items?

Mr. CASE. That is right.

Mr. HOFFMAN. No; I did not.

METHOD OF ACCOUNTING FOR RFC ADVANCE IN JUSTIFICATION OF ESTIMATES FOR PROGRAM

Mr. CASE. Do these estimates cover the entire 5.3 billion dollars or the 4.3?

Mr. HOFFMAN. The 4.3.

Mr. CASE. The 4.3 billion?

Mr. HOFFMAN. And the billion dollar——

Mr. BISSELL. The budget covers the 5.3 billion, but you will find that we are also deducting from that the 1 billion dollars advanced by the RFC.

Mr. CASE. Is that 1 billion dollars advanced by the RFC subtracted from this program, or is it a part of the budget estimates?

Mr. BISSELL. It is in the break-down and is a part of the budget estimates.

I might mention that the 1 billion dollars public debt transaction is not the same billion dollars furnished by the RFC; but in answering the main question, I think I said the whole budget is built up to the total of 5.3 billion dollars, and the deductions are all made in the green-sheet schedules, in arriving at the formal request for appropriation.

Mr. CASE. Then for all intents and purposes, the 1 billion dollars which is deducted as a public-debt transaction is not covered in these estimates, so far as the justifications are concerned?

Mr. BISSELL. Perhaps I did not make myself clear. It is covered, but the total sum justified is the sum of 5.3 billion dollars, and all the subtotals of the items add up to the total of 5.3 billion dollars, so that the whole amount is justified in the budget estimates. The deduction is not made prior to the justification, however, but is from the justification total of 5.3 billion dollars, in arriving at the request which the justification supports.

Mr. CAWLEY. For the reason, Mr. Case, that we will not obtain an appropriation for the debt transaction, the amount of the appropriation will be only 4.3 billion dollars.

Mr. CASE. How is it expected that the 1 billion dollars is to be reimbursed to the RFC fund?

Mr. CAWLEY. Through the Treasury.

Mr. CASE. It is an advance against the appropriation funds; and for all intents and purposes, so far as the Congress is concerned, it is going to have to appropriate the 1 billion dollars.

Mr. CAWLEY. That is not quite correct, if you refer to the public debt transaction.

Mr. CASE. No?

Mr. CAWLEY. The total budget is 5.3 billion dollars, and because of the public debt transaction we are only requesting 4.3 billion dollars, and upon receipt of the 4.3 billion dollars we will repay the RFC.

Mr. CASE. However you may explain the transaction, for the purpose of this committee, so far as I am concerned, you will have to justify what you expect to do with the $1,000,000,000, to give the reasons for the appropriation of the additional amount.

Mr. HOFFMAN. That is right.

Mr. BISSELL. Yes.

Mr. HOFFMAN. We have that cleared up.

Mr. BISSELL. Yes.

EXTENT TO WHICH PRODUCTIVITY WILL BE BUILT UP IN PARTICIPATING COUNTRIES

Mr. CASE. Mr. Hoffman, you said in your first statement, and you repeated it several times in response to questions, that the basic purpose here is to build up the productivity of these nations. To what level?

Mr. HOFFMAN. I have not changed my view any from the one I reached after working on the Harriman committee several weeks last summer—of course, that was during 1947 when we were working.

In 1947 our national income was approximately $200,000,000,000. The national income of the 16 countries, plus Germany, was approximately $100,000,000,000.

We have 145,000,000 people; and there again, they have 275,000,000 people.

And that is the break-down, as they gave it to us from the Paris Conference. Their studies and estimates in some cases were pretty optimistic, but it looks to me as though in the 4-year period we would be able to build up the productive ability by about one-third.

Mr. CASE. By about how much?

Mr. HOFFMAN. About one-third.

Mr. CASE. In your statement you referred to the estimate of the three responsible and independent estimates of probable financial requirements for the program and said this was the lowest, the other two being the Harriman committee and the International Bank.

Mr. HOFFMAN. Yes.

Mr. CASE. Did you give any consideration at all to the estimate made by the House Select Committee on Foreign Aid, so-called Herter committee?

Mr. HOFFMAN. No; I did not. I have read the testimony, but I am not quite as familiar with it so far as the details of the comparison is concerned.

Mr. CASE. You did not mean by that that estimates such as that are not responsible.

Mr. HOFFMAN. Oh, no; not at all.

Mr. CASE. In the New York Times of April 6, 1948, there appeared a story by Michael Hoffman, who reviews what he said was the report of the Economic Commission for Europe, released that date, by the Economic Commission for Europe. Are you familiar with that?

Mr. HOFFMAN. Well, when I got that same article, Mr. Case, I started on a hunt for a copy of that report, and we now have one copy, and we have been reading it just as time permits.

Mr. CASE. In this story he states:

> The industrial output in Europe, excluding Germany and Russia, had recovered nearly to prewar levels by the end of 1946 and in the third quarter of 1947 was 99 percent of that of 1938, according to a mammoth report on European recovery released today by the Economic Commission for Europe.

He further states:

> This is the most complete and thorough study of the European economy ever made. It contains the facts and analyses that Congress wanted before acting on ERP but could not get because they did not exist.

And he states further:

> The report concludes, as all other reports on world economic problems, that the United States must very greatly increase its imports from Europe or there's no hope at all of reestablishing a balance in the world's economy.

Now when you talk about increasing the productivity of Europe, and when this writer says this is the most complete and thorough study of European economy ever made, and when he states that the industrial output in Europe, excluding Germany and Russia in the third quarter of 1947 was 99 percent of that in 1938, that is the year immediately proceeding the war, I think the people of the United

States will want to know to what level you want to build in terms of the prewar standards.

Mr. HOFFMAN. I think you are quite right. I have not read this report with reference to population, but the population in Europe since 1938 has increased almost 10,000,000; there are 10,000,000 more people today than they had. That may have been referred to, I do not know.

Mr. CASE. While you say there are 10,000,000 more people, this article also says, as one of the main conclusions, the third observation made, is that the total commodities available for home use in Europe as a whole, that is, as a whole after excluding Germany, had reached 96 percent of the prewar level on a per capita basis by 1947.

That would take into account the increased population.

Mr. HOFFMAN. Yes.

Mr. CASE. And it further states that Belgium, Czechoslovakia, Ireland, Norway, Poland, and Sweden actually had more goods per capita than in 1938; and of course, Belgium, Ireland, Norway, and Sweden are among the 16 participating nations.

Mr. HOFFMAN. Well, I cannot answer that, Mr. Case; I have not read the report and therefore have no comment on it.

Mr. CASE. The reason I brought that up is it seems to me that is rather basic, because in your statement, and in response to repeated questions you said that the main purpose was to build up the productivity of these nations, quoting from your formal statement:

> We know precisely what we want to accomplish, namely, increased production in all of the nations covered by this aid program.

Mr. HOFFMAN. Mr. Case, I have with me Mr. Calvin Hoover, and I think he has had a chance to go more fully into that report. Would you wish him to comment on the question?

Mr. CASE. I understand this report was prepared by the Economic Commission for Europe and made to the United Nations.

Mr. HOFFMAN. That is my understanding. Would you like to hear Mr. Hoover?

Mr. CASE. I think we would like to hear his statement on this matter.

Mr. HOOVER. Mr. Chairman, my attention has just been called to a communication from Mr. Myrdal, executive secretary of the Economic Commission for Europe, which I think perhaps I should read and then I will be glad to answer any questions I can concerning the program.

This is a letter to the editor of the New York Times and reads:

> My attention has been directed to the article published in the New York Times on April 12 by Michael Hoffman, commenting on certain findings of the survey of the economic situation and the prospects of European relief by the secretariat of the Economic Commission for Europe.
>
> I note this article states that the analysis of the European trade and the survey points the way to saving of two or three billion dollars in the ERP. This inference is, of course, entirely that of Mr. Hoffman and does not in any way represent conclusions of the Secretariat's survey, although this must be evident from a reading of the relevant parts of the survey, I felt it necessary to make this statement, as an erroneous impression may be gained by the fact that Mr. Hoffman has noted from the ECE Survey in the context of his own inference.

Now, if you would be good enough to put to me the previous question that you have asked I would be glad to try to answer them, Mr. Case.

Mr. CASE. Well, first of all, it was previously stated that you seek to build up the productivity of the 16 nations. My question was: To what level are we to build them up?

Mr. HOOVER. First, I should say that we would have to try to build them up to the level so they will be able to pay, through their exports, for imports they get. But that is not conclusive, again, obviously, because if the standard of living in Europe was allowed to keep on rising them obviously we might not be able to attain that goal. So that I should say that it is the decided responsibility of the ECA to keep track of the standard of living in Europe and see that it is not allowed to rise at a rate that will make it much more difficult to increase the ratio between the exports and imports.

Mr. CASE. Of course, what you are proposing here today is to use the money of the taxpayers of the United States to build up this productivity, and in some cases, apparently, you propose to build it up to higher than the prewar level, that is, the level of 1938.

Mr. HOOVER. I should very greatly doubt whether that could be done.

Mr. CASE. Well, this report says it was nearly to the prewar level by the end of 1946, and in the third quarter of 1947 it was 99 percent of the level of 1938, excluding Germany and Russia.

Mr. HOOVER. Yes. In the first place, taking it by stages, if you take the production and the level at which it is presently, in a good many countries it has very nearly attained the level of 1938, and in the case of Sweden and a few other countries it has actually surpassed that; but they will need to produce very much more than they were producing in 1938 if they are able to pay for their imports, because of the circumstances they have lost a very considerable portion of their assets abroad from which in the past they paid for a good deal of what they used.

Mr. CASE. You mean by "assets abroad" that a great deal of their foreign exchange was paid for by income from foreign investments?

Mr. HOOVER. That is precisely right.

Mr. CASE. As an illustration, for instance, the recent liquidation of Argentine investments by England?

Mr. HOOVER. Yes, sir.

Mr. CASE. In other words, we now seek to provide some way to provide the income for England that she formerly received from her investments in Argentina?

Mr. HOOVER. That is to say we hope to provide the means by which they could earn, through production and exports, what they formerly obtained.

Mr. CASE. And if it does earn that, then it could buy the materials for the exports it contemplates selling?

Mr. HOOVER. Yes, sir.

Mr. CASE. Where are those exports to be sold?

Mr. HOOVER. They would have to be sold, obviously, in other parts of the world; we will say in Latin America, in the Eastern Hemisphere, and in the United States. And I do not see how we can get away from choosing that either the rest of the world will have to buy enough so that these countries can sell enough to be on an independent basis——

Mr. CASE. You include the United States?

Mr. HOOVER. Yes, sir.

Mr. CASE. In other words, we would use the United States taxpayers' dollars to build up the productivity of those countries so that they can export more to sell to us so that they can balance their trade. Where do we balance ours?

Mr. HOOVER. Well, I should think in that process ours would be balanced. As it is now——

Mr. CASE. Balanced by the money we appropriate so that they can build up productivity to get a favorable balance of trade to balance their economy?

Mr. HOOVER. What I was thinking of is this: we have been exporting an immense export surplus. It is just another way of representing the fact we are caring for these people.

Mr. CASE. Where and how will the United States Treasury balance its export of dollars?

Mr. HOOVER. I should suppose that would come to an end at the end of this period that is contemplated. I certainly hope it would, and I would by no means favor any processs——

Mr. CASE. Why is not the direct answer to my question that the Treasury will balance its export of dollars by levying more taxes?

Mr. HOOVER. As long as that goes on, I would say that is precisely what would be done.

POSSIBILITY OF EXPORTS OF PARTICIPATING COUNTRIES REACHING RUSSIAN SATELLITE COUNTRIES

Mr. CASE. Is it contemplated that some of those exports will be sold to the so-called satellite countries or eastern European countries?

Mr. HOOVER. Our exports?

Mr. CASE. The exports of those 16 nations.

Mr. HOOVER. Yes, sir; I suppose so.

Mr. CASE. And thereby help to balance the economy of the satellite countries, the countries who were invited to participate and then declined?

Mr. HOOVER. I suppose it would at the same time help the economy of those countries.

Mr. CASE. That is all, Mr. Chairman.

Mr. KEEFE. I would like just to pursue that line of inquiry Mr. Case has indulged in for just a moment, to satisfy myself.

Congress has indicated clearly in the passage of this legislation and other legislation a clamping down by the media of export controls and direct legislation and prohibiting the export from this country to the satellite nations.

Mr. HOOVER. Yes, sir.

Mr. KEEFE. And to Communist Russia.

Mr. HOOVER. Yes, sir.

Mr. KEEFE. In response to an overwhelming demand of the American people and the Congress of the United States.

Mr. HOOVER. Yes, sir.

Mr. KEEFE. Now, if I understood correctly your answer to that question Mr. Case asked—and correct me if I am in error—what we propose to do under this program is to take the American tax dollar, buy raw materials and finished products, ship those raw materials and finished products as gifts to the participating nations who are the recipients of the gifts and they, in turn, to fabricate those materials

and ship them into the satellite countries and thus accomplish by indirection what the Congress has specifically tried to prohibit. Is that right or wrong?

Mr. HOOVER. No, sir; I do not believe that is the way it is intended.

Mr. KEEFE. Well, it may not be the way it is intended, but that is the way I interpreted your statement.

Mr. HOOVER. That certainly, sir, is not the intention of the statement I made. First, let me say this: I certainly personally—and I think it is always dangerous to speak for anybody else, but I certainly think it is true of the administrator—personally I was in the strongest possible sympathy with the action taken to cut off exports to Soviet Russia. I just happen to feel that deeply and strongly and have done so for years, and the record will show it. Now, there is a problem, of course, in the business of building up those countries of western Europe so that they can stand on their own feet. They formerly had trade with eastern Europe, and unless that trade can be restored, it will be exceedingly difficult to ever get them off the backs of the American taxpayers. Consequently, it is very difficult to see how that restoration could take place unless there is some kind of trade between the countries of western Europe and the countries of eastern Europe.

I would say we would have to take every care we possibly could to see that as little went to those satellite countries which would assist them in any possible way in building up to the danger of the United States, which I personally think actually exists at the present moment. I could not emphasize too strongly my feeling on this.

Mr. KEEFE. You may feel strongly about it, but that does not give expression to anything except a pious hope that you will be able to do something about it. What I would like to know is the realities of this situation as the actual operation takes place.

Mr. HOOVER. To answer it the best way I can, I think there will unquestionably take place trade from these western European countries to the eastern European countries.

Mr. KEEFE. All right. We ship to England, and England has a trade agreement with the Soviet countries, so that we are going to ship materials over there to build up her agricultural business to feed her own people in order that they may work and produce dynamos, motors, excavators, and what have you—industrial equipment—which, in turn, they propose to ship to the Union of Soviet Republics. Is not that true?

Mr. HOOVER. If we export goods to them, I think probably it is. That seems to be taking place.

Mr. KEEFE. Then, as a matter of fact, we ship steel and steel products and all other types of products to Great Britain to enable her to fabricate them and get her industry moving and to raise the general level of her industry, and she, in turn, ships those products to nations which the manufacturers in the United States could not ship to directly. Is not that true?

Mr. HOOVER. I should say when that happens and takes place, we would very seriously have to consider whether or not that would have to be taken up.

Mr. KEEFE. Well, I think the time to start is now. This committee ought to know and the people are entitled to know what the situation is now, before we get into that situation, it seems to me.

Mr. HOOVER. I think it should be considered now. I will agree with you.

DISCUSSION OF POSSIBILITY OF PLACING PARTICIPATING COUNTRIES IN TRADE COMPETITION WITH UNITED STATES

Mr. KEEFE. Now, I realize the difficulties in this situation, and I realize Mr. Hoffman's statement that this is an over-all picture that you must deal with. You are dealing with a sovereignty over there, Great Britain; you are dealing with a sovereignty over there, France; and you are dealing with a sovereignty, Sweden, Norway, and so forth. But you are taking American taxpayers' dollars in this picture, and all the time you are charged with the responsibility under the basic law of seeing to it that the economy of the United States is not adversely affected as a result of this over-all picture.

Mr. HOOVER. Yes, sir.

Mr. KEEFE. Now, then, you are going to build up this economy in France, Italy, England, and so forth, and I expect in Germany, and they have to sell those products to somebody.

Mr. HOOVER. Yes, sir.

Mr. KEEFE. And you have indicated they are going to sell them to the eastern countries; they are going to sell them to the Latin-American countries; they are going to sell them in the United States, and thus they become competitors with the producers in the United States immediately, do they not?

Mr. HOOVER. Yes, sir.

Mr. KEEFE. And if they build up to the levels anticipated, they will be prospective competitors in the field of world trade.

Mr. CASE. If the gentleman will yield there, I discussed this situation with a man who was in the British military government when I was in Europe last fall. He was a historian and a man of considerable perspective. He made the observation to me that when this goal is reached—and I quote his term—"prices will be cut to ribbons."

Mr. HOFFMAN. Mr. Case, may I inject a thought there? If I at this moment found myself in the position where I was back in the automobile business and was the only manufacturer of automobiles, if I wanted to have a good business, I would start up some competitors. In other words, the whole American philosophy is based upon the theory that competition is a good idea. Now, why I should favor competition internally and should become frightened about competition externally I have never understood. In other words, I say on the over-all the United States of America has so much to gain materially by having a prosperous England, by having a prosperous France, by having a prosperous Italy, and a prosperous Germany, and if that concept is not sound, if we are going to be concerned about stepping up the automobile business in Great Britain to a point where it will compete with us, which we are not, then I think the whole idea is unsound.

Mr. CASE. That would be true if you were dealing with a prospective condition, but if those countries are getting back to what they were on a per capita basis immediately before the war, I wonder if the analogy would hold of the automobile business, if your competitors were up to what they were immediately before the war on a per capita basis. Would you then feel you could take your stockholders' money and finance the deficits of some of your competitors?

Mr. HOFFMAN. I was assuming I did not have to get the stockholders' consent, to start with.

Mr. CASE. But we do have to get our taxpayers' consent.

Mr. HOFFMAN. That is right. I appreciate the analogy does not fit perfectly, but I feel very strongly we have to get down here what is a good definition of prosperity. Now, I think in this article, which we do not know whether it is correct or not——

Mr. CASE. No; but I have been handed, since I brought up the discussion, a committee print of this report of the Committee on Foreign Affairs entitled "A survey of the economic situation and prospects of Europe. Prepared by Research and Planning Division, the Economic Commission for Europe, March 30, 1948, United Nations Economic and Social Council." That is the report to which the article alludes, a report of 216 pages, and copies of which are now available for members of the committee.

NEED FOR ASSISTANCE TO COUNTRIES SHOWING PROGRESS ABOVE 1938 LEVEL

Mr. HOFFMAN. Certainly, the report should be read and studied, and I am in process of doing that. But just assuming for the moment you do have in Ireland a condition where Ireland has today the same productive consumption that it had in 1938, what was that consumption, and can we take away that consumption on the basis that Ireland would be a good customer of ours? I do not think so. And the same thing is true as to France, and the same thing is true——

Mr. CASE. Is it true as to Sweden?

Mr. HOFFMAN. Not as to Sweden.

Mr. CASE. Well, Sweden is one of those nations.

Mr. HOFFMAN. But Sweden is not one of those countries we expect to give money to, so far as I am concerned, to countries that are prosperous such as Switzerland, such as Portugal, and such as Sweden; no.

Mr. CASE. What about Norway and Belgium?

Mr. HOFFMAN. If that report shows that Norway today is at that level, I would be surprised.

Mr. CASE. It shows Norway reached 110 percent of its 1938 level by the fourth quarter of 1946 and averaged about 112 percent through the first three quarters of 1947. What about Belgium?

Mr. HOFFMAN. I think Belgium probably is very close to 1938.

Mr. CASE. Somebody told me when I was over in Europe last fall that Belgium was about in the best position of any country except Sweden.

Mr. HOFFMAN. I would think so, from my observation.

Mr. STEFAN. What is there in here; is there $28,000,000 in here for Sweden?

Mr. WIGGLESWORTH. $28,400,000.

Mr. HOFFMAN. The question is whether that would be a grant or a loan.

The CHAIRMAN. Mr. Hoffman, when a country is showing progress above its 1938 level, there would be some question as to what extent we should interfere with progress in the normal approach to that kind of problem. It would be the countries that were progressing backward, if we were going to apply medicine, that we should pay the most attention to. That would be the normal approach—not to interfere

too much with countries that themselves have been able to show progress.

Mr. HOFFMAN. I will agree completely with that.

The CHAIRMAN. I myself would hesitate very much to go into the picture where a country indicated an index of industrial and agricultural production considerably above its prewar basis.

Mr. HOFFMAN. So would I.

The CHAIRMAN. You need the doctor only where the fellow is going the wrong way; you do not need the doctor when the fellow is going the right way.

Mr. HOFFMAN. That is right. I think the only slight modification I would make to that would be if the patient had been anemic in 1938 and was still anemic, I might say perhaps a blood transfusion would be helpful. But I just hold to my contention that we have a great deal to gain from having prosperity in Europe, and that is a matter of doing a highly selective job when it comes to what is given to Europe and what is loaned to Europe, but that is not what we are here for. In other words, that is why I said in the very beginning I felt this job had to be done on a national level, and when it came to recovery, that is where we knew the least and had to get the most in the way of facts. And you find no requisitions yet approved for this part of the program that deals with recovery, because we do not know enough about it. But we are going to try to find out as soon as we can, and certainly we are not going to just take a country and pour money into it.

POWER OF ADMINISTRATOR TO REFUSE AID TO PARTICIPATING COUNTRIES IN INTEREST OF NATIONAL SECURITY

I think, also, perhaps, Mr. Keefe, I did not make myself clear. One of my first sentences was we had to take a look at the whole program, not just simply the question of whether England has developed to the point where they produce the steel they use that goes into the type of exports to Europe that we do not think should be made, but I think we have to look at the whole program. And if we find England is taking our money, food, or grains in substantial amount and taking the money released thereby and spending that for the shipment of the wrong type of merchandise and products into Russia, that is our business.

Mr. KEEFE. It may be your business, Mr. Hoffman, but what do you propose to do about it?

Mr. HOFFMAN. We just propose to see, as far as we are concerned, that the aid we would give to Great Britain would not be forthcoming if Britain continued on a program which, as a whole, we disapproved. We cannot pick up some one item; we would have to be in a position to do some trading to get the result.

Mr. KEEFE. I understand.

Mr. HOFFMAN. In England, for example, you might pick out one situation on which there might be an honest disagreement, but certainly if England was using her own money or merchandise to make munitions of war and shipping them to Russia, I say that is our business and we should not pour money into England.

Mr. KEEFE. The print in this is just so small that I can hardly read it, even with my glasses, but it is indicated that the United Kingdom and United Kingdom dependencies anticipate shipments aggregating

$4,273,400,000 from April 1, 1948, to June 30, 1949—that is total exports—of which they are going to pay for $2,067,800,000 out of their own dollar earnings, $407,000,000 loans and crops, and $1,798,600,000 under this specific program. I assume under the normal practices of trade we would have no right to say to Great Britain "This material which you produce with your dollar income or which you purchase with loan money—we are going to tell you how you shall use that raw material."

Mr. HOFFMAN. I think I would like to read, as the chairman suggests, from this section, because it bears directly on this point. This is on page 20 of the enabling act, subsection (d) of section 117. It reads:

> The Administrator is directed to refuse delivery insofar as practicable to participating countries of commodities which go into the production of any commodity for delivery to any nonparticipating European country which commodity would be refused export licenses to those countries by the United States in the interest of national security. Whenever the Administrator believes that the issuance of a license for the export of any commodity to any country wholly or partly in Europe which is not a participating country is inconsistent with the purposes and provisions of this title, he shall so advise the Department, agency, or officer in the executive branch of the Government exercising the authority with respect to such commodity granted to the President by section 6 of the act of July 2, 1940, as amended, and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

So the Administrator has the clear power, if that is going on, to say "Well, there it is. We are going to have to stop our aid program."

Mr. KEEFE. But you won't stop the deal.

Mr. HOFFMAN. We won't stop the deal.

The CHAIRMAN. Do you intend to exercise that power?

Mr. HOFFMAN. Yes, sir.

Mr. STEFAN. Would that be applicable to the question Mr. Keefe asked—if they are trading with their own money?

Mr. HOFFMAN. Surely; definitely.

LEVEL OF INDUSTRIAL PRODUCTION IN EUROPEAN COUNTRIES

Mr. CASE. Mr. Chairman, I should like to ask permission at this point to place in the record table 1 entitled "The Level of Industrial Production in European Countries," as given on page 1 of this economic report.

The CHAIRMAN. Well, there are a lot of countries in there that are behind the "iron curtain," and I do not know whether you would want those in or not. You may put them in if you want to.

Mr. CASE. Suppose we take the participating countries and select them from this table.

The CHAIRMAN. Yes. I think it would be just as well if we would eliminate Bulgaria, Czechoslovakia, Finland, and Poland, which are not participating.

Mr. CASE. That is all right, but it seems to me that the level of production reached in the participating countries is directly involved here in this discussion.

The CHAIRMAN. It is. I think we should have it in the record, and I would think that table would be very valuable to the Administrator in his operations. I hope it would, anyway.

Mr. HOFFMAN. This is the kind of information we have been seeking.

Mr. STEFAN. All of these countries participate under title II of this act.

The CHAIRMAN. You mean all of those countries?

Mr. STEFAN. Yes; under the international child feeding business.

The CHAIRMAN. Well, Mr. Hoffman would not administer that, anyway.

Mr. BISSELL. That is the State Department's administration—title II.

Mr. CASE. I would like to comment on this table on this point, that appendix B, entitled "Notes on Sources and Methods," indicates that these countries' statistics are taken from some official bulletin issued by the government or a reputable organization for each of those countries, and the source is detailed for each one.

(The table above referred to is as follows:)

TABLE 1.—*The level of industrial production* [1] *in European countries*

[Index numbers, 1938=100]

	Percentage of 1938 total European production [2]	1946				1947		
		First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
Belgium	3.24	77	85	93	99	99	106	102
Denmark	1.61	93	86	97	100	101	98	108
France	10.80	75	88	82	94	95	104	96
Germany (3 western zones)	16.62	22	26	31	31	24	33	37
Greece [3]	.75	44	55	61	67	64	71	71
Ireland	.41	103	112	107	114	104	110	113
Italy	7.24	34	55	65	61	49	65	76
Netherlands	3.12	62	68	76	83	81	88	91
Norway	.94	93	103	95	110	113	119	106
Sweden	3.56	101	100	102	104	101	100	103
United Kingdom	21.62	101	102	100	115	103	110	109
Total of above countries:								
Including Germany	77.38	68	74	76	83	78	85	86
Excluding Germany	60.76	80	87	88	98	93	100	99

[1] Including manufacturing, mining, and building.
[2] Excluding U. S. S. R.
[3] Excluding mining.

NOTE.—The index numbers for each country (with the exception of the United Kingdom) have been taken from official or semiofficial sources. The method used in estimating the index numbers of industrial production for the United Kingdom and the sources for the other indexes are given in appendix B.

Where the original base of the index numbers was other than 1938, the figures have been adjusted to that base year by means of the official prewar index numbers. Adjustments have also been made, where necessary, to include building activities.

The weights used in arriving at the combined index numbers, shown at the bottom of the above table, are roughly proportional to the net value of industrial production (including manufacturing, handicrafts, mining, and building) in 1938, expressed in United States dollars of 1938 purchasing power. For the methods of estimation, see appendix B.

Mr. HOFFMAN. Now Mr. Bissell would like to make a comment.

NEED FOR PREVENTING RELAPSE OF PRODUCTION IN PARTICIPATING COUNTRIES

Mr. BISSELL. May I make one comment on the issue you raised on the level of industrial production? I think the major part of the problem takes the form of preventing a relapse in the case of those countries that have achieved a sizable recovery since the war. As one individual, I would certainly agree that our goal, in answer to your first question, as to how far they should be built up, should not be set extravagantly high.

Mr. CASE. When you speak of "relapse," do you mean the kind of relapse that the Commerce Department said we were going to have with so many unemployed right after VJ-day?

Mr. BISSELL. I mean a different kind of relapse in this case. I mean the kind of relapse that would occur if those countries were shut off from their source of food or raw materials, where there is a very direct and almost mechanical causation. We have been extending foreign aid in Europe on a very substantial scale. Moreover—and this is notably true both of the United Kingdom and Belgium—they have been drawing upon sizable reserves that they possessed at the end of the war of dollar exchange. One of the reasons the Belgian recovery is as well advanced as it is is that during the war, partly from exports of Belgian currency, they accumulated reserves which they were not able to spend, and my information, which is very superfluous and imperfect at this stage of the game, is that the Belgians are very close to the end of their resources, and if they are forced very sharply and drastically to curtail their imports before they have had time to build up their exports, the picture there would change extremely rapidly.

Therefore, I believe it is not inconsistent that we should provide, in appropriate form, further financial assistance to countries, even where their recovery is already well advanced. It seems to me our objective in that case would be to achieve, as rapidly as possible, a state of affairs in which the cessation of American aid will not cause that kind of economic collapse. And quite frequently the goals we will be setting will be goals in terms of purely industrial production that has largely been achieved already, and our true goal will not be to further increase industrial production so much as it will be to enable them to maintain their industrial production and pay their own way while they are doing it.

As to the other comment, I would like to suggest that we know, at least as to the rate of recovery in agricultural production in Europe and recovery of mining, that it has proceeded far less well than the recovery in industrial production.

Mr. STEFAN. On account of the drought?

Mr. BISSELL. On account of the drought in the case of agriculture and the lag in coal production, which I think we have all heard talked about a great deal.

NEED FOR DOLLARS TO BRING ABOUT BALANCED TRADE OF PARTICIPATING COUNTRIES

Mr. CASE. In other words, boiled down, what you are saying is that we should give those people American taxpayers' dollars to import materials until they get their export of goods up to such a point that consumers in the United States will become purchasers in such a degree that we won't have to take any more of the taxpayers' dollars to balance their trade?

Mr. BISSELL. Consumers in the United States and other places in the world.

Mr. HOFFMAN. Or, to put it another way, until we are certain that their economy is stabilized on a fairly high level, because it is just good business.

Mr. CASE. When the consumers in the United States, after paying high taxes to get sufficient surplus in some way to become purchasers of those exports of the other countries or imports for us, then what will happen to the production in this country?

Mr. BISSELL. I think in large measure the form in which American consumers will buy the products of Europe will be indirectly—that they will be buying as, for instance, before the war, tin and rubber in the Orient.

Mr. CASE. But those are raw materials; those are not manufactured goods.

Mr. BISSELL. But our purchases there may make it possible for the exporters of Europe to purchase those raw materials from the producing areas. And, of course, as you know, that was the pattern of trade as to many parts of our foreign trade before the war.

Mr. HOFFMAN. The record is perfectly clear that if we want to do an export business, those countries have to be prosperous, which means we must take imports. It is a two-way street. I would say in the main if these countries in Europe can achieve what I would think a very reasonable goal, I would agree it is not our business to step over there and stay with this job until the American standard of living prevails throughout Europe. That is impossible.

Mr. CASE. Well, Mr. Bevin in his statement to the Herter committee suggested that.

Mr. HOFFMAN. I do not know what Mr. Bevin suggested.

Mr. CASE. Mr. Bevin explained to us when we were talking in England that England had not had an opportunity to build homes or to do some other things comparable with the standard in the United States, and he felt if their Government was to be stable it would be necessary to provide them with those opportunities.

Mr. HOFFMAN. I do not happen to subscribe to that. In other words, what I am talking about I can give you in percentage if you will give me time, but I am thinking in terms of 275,000,000 people in Europe with a national income of $133,000,000,000 or $134,000,000,000 as against 140,000,000 people in America with a national income of $200,000,000,000. That does not presume in the over-all any expectation of the American standard of living.

Mr. KEEFE. I do not want to create any false impression. I am asking these questions to probe for some information. I supported this program in the Congress myself, and I want to see it work to the advantage of the people of America and not to the disadvantage of the people of America.

Mr. HOFFMAN. That is right.

DETERMINATION OF EFFECT OF ASSISTANCE UPON ECONOMIC STABILITY OF UNITED STATES

Mr. KEEFE. And that leads me to the next question that I would like to ask in relation to that provision in the organic law which says—

Provided, That no assistance to participating countries herein contemplated shall seriously impair the economic stability of the United States.

Who is to make the determination as to when and if the shipment of goods abroad will or will not impair the economic stability of the United States? Where does the authority lie for making that determination?

Mr. HOFFMAN. If I read the enabling act correctly, that decision rests with the Department of Commerce. I would think, however, as a practical matter, we would be consulted on that.

Mr. KEEFE. Who drew these specifications that are before this committee now; who prepared them?

Mr. HOFFMAN. This outline of expenditures?

Mr. KEEFE. Yes.

Mr. HOFFMAN. The Department of State, I think, largely. I believe I am correct on that.

Mr. CAWLEY. Yes, sir; that is correct.

Mr. KEEFE. Necessarily, you could not have done so in your own organization?

Mr. HOFFMAN. No, sir.

Mr. BISSELL. I think, Mr. Keefe, the probable procedure that will be worked out within the executive department is that the Department of Agriculture for commodities in which it is concerned, the Department of Commerce for commodities in which it is concerned, and the Department of the Interior, in the case of coal and petroleum notably, will pass, as they do at present, upon all appraisals for the export of commodities.

Mr. KEEFE. Will they pass upon the export of commodities being shipped under authority of this act?

Mr. BISSELL. Yes, sir; because the Department of Commerce still retains, if I understand the act correctly, the export-licensing authority.

Mr. KEEFE. Then should the Department of Commerce, as a matter of fact, determine that the export of a certain commodity or a certain quantity of any given commodity might adversely affect the economy of the United States, it could refuse an export license and thus stop operations so far as this organization is concerned?

Mr. HOFFMAN. Yes, sir; that is correct; that is our understanding of it.

AUTHORITY OF DEPARTMENT OF COMMERCE TO PREVENT ISSUANCE OF EXPORT LICENSES

Mr. KEEFE. Then do I understand, also, that the Department of the Interior which makes surveys affecting the economy of the United States as concerns coal and minerals and petroleum products, and so forth, could make recommendations to the Department of Commerce which would effectively prevent the issuance of further export licenses?

Mr. HOFFMAN. It is so obligated.

Mr. KEEFE. Then we have a situation where you propose an overall program here that is presented to this committee for the allocation of the sums to be appropriated for expenditure for the purchase of certain specific items falling in broad, general categories—agricultural and industrial raw materials, and so forth—to various countries, and you, as the Administrator, Mr. Hoffman, are charged with the responsibility of administering this program to see that it works?

Mr. HOFFMAN. Yes, sir.

Mr. KEEFE. But you are checkmated in your administration of this program by the fact that any one of these departments can say to you "No; we believe that the shipment of this amount of grain, this amount of coal, or this amount of petroleum products will adversely affect the economy of the United States, and we will therefore refuse an export license." Is that right?

Mr. HOFFMAN. That is right, sir.

Mr. KEEFE. Then we have a situation, as far as the picture presented to this committee is concerned, that we have a buildup that has been prepared by the State Department.

Mr. HOFFMAN. Yes, sir; by the Interdepartmental Committee.

Mr. KEEFE. The Interdepartmental Committee. I understood you to say it was prepared by the State Department.

Mr. LOVETT. By the executive branch.

Mr. KEEFE. I assume the executive branches are working cooperatively in connection with this thing, and, as you testified, of course, this is a fluid operation and must necessarily be so, and your conclusions and the figures here submitted are not to bind you as to any one particular item, but the situation must be fluid enough so that you can exercise the judgment vested in you as Administrator.

Mr. HOFFMAN. Yes, sir.

Mr. KEEFE. And then you propose to have a sort of roving ambassador to synchronize with the State Department and these special directors to be sent over to each individual country to synchronize the whole program?

Mr. HOFFMAN. That is provided for in the enabling act.

Mr. KEEFE. That is in the enabling legislation?

Mr. HOFFMAN. Yes, sir.

AUTHORITY FOR CREATION OF CORPORATION

Mr. KEEFE. Now, the enabling legislation indicates that you, the Administrator, with the approval of the President, are authorized to create a corporation?

Mr. HOFFMAN. Yes, sir.

Mr. KEEFE. Do you expect to do that?

Mr. HOFFMAN. I cannot answer that, sir. I do not know. Up to now, I would say I do not see why we cannot operate as we are, but that might be necessary later.

Mr. KEEFE. Well, up to the present moment, you have no intention of creating a separate, Government-owned corporation to administer this program?

Mr. HOFFMAN. Not as of this moment.

Mr. KEEFE. You expect to continue the administration under the organizational set-up that has been presented here?

Mr. HOFFMAN. If you mean by that the organization chart tentatively presented, the answer to that is we are making substantial changes in that organizational set-up.

PRESIDENTIAL DETERMINATION OF QUESTIONS OF FOREIGN POLICY

Mr. KEEFE. Well, in the basic legislation, as I understand it, the ultimate determination of questions between your administration and the State Department are to be resolved by the President.

Mr. HOFFMAN. Yes, sir.

Mr. KEEFE. In other words, the basic foreign policy of the United States which is interpreted and handled directly by the State Department and its representatives abroad might conceivably come into conflict with the ideas of this administration that you head?

Mr. HOFFMAN. Yes, sir.

Mr. KEEFE. And in such event, the final determination of the policy must be left to the President?

Mr. HOFFMAN. Yes, sir.

DEPENDENCE OF ASSISTANCE PROGRAM UPON STATUS OF PRODUCTION

Mr. KEEFE. I am just thinking, as one not too well versed in this thing, that you lay out a program here that calls for the shipment of so much coal, the shipment of so much steel, of so many tractors, of this, that, and the other, all down the line, and the funds are obligated to carry that program forward; arrangements are made for the purchase of the coal, petroleum products, steel, and what have you; arrangements are made for the transportation, and the stuff starts to move and it is on the way; it is on the trains moving to the seaports or is at the docks or is on ships in the so-called pipe line that we hear so much about, and now how do you stop that in the event suddenly somebody should come up with the fact that here is a coal strike that is cutting down our supply of coal here and here is a need to supply fuel to our own people in the form of coal, petroleum products, etc.? How do you stop that?

Mr. HOFFMAN. I would think in a situation like that the Department of Commerce, in view of its responsibility, would have the problem, No. 1, not to issue any further export licenses; No. 2, to cancel those licenses which had been issued but under which shipments had not been made and see whether or not there could be any curtailment of those shipments.

Mr. NITZE. On the coal question, there is an embargo on the shipment of coal right now, and on oil the Department of Commerce has issued different allocations that have been cut down in the third quarter and probably will be cut down in the second quarter.

Mr. KEEFE. The difficulty I have in conceiving this thing is that when you originally obligate money for the purchase of coal, you do it on the theory that England needs so much coal, France needs so much coal, to maintain their productive capacity. Then we suddenly discover we need that coal here, and then we cut off the coal over there. Then what happens to their economy should the whole thing be upset, delayed, and postponed?

Mr. HOFFMAN. I think those things all fall within what I would call normal business risks. We go ahead in the automobile business and schedule our production, but if we have a coal strike we change our schedule. And I would think in England or anywhere else, when emergencies develop, they would have to adjust themselves to the changed conditions.

Mr. BISSELL. May I say we have had in the case of coal at three occasions in the last 2 years, including the present one, where it has been necessary to halt coal shipments very suddenly from the United States, and the effort has been to minimize the hardships by taking account of the stocks on hand in the receiving countries and the like. But that, in itself, is not an entirely new problem, and the machinery has certainly been effective in halting exports on extremely short notice.

Mr. KEEFE. This program would require a constant survey?

Mr. HOFFMAN. Right.

Mr. KEEFE. Both here and abroad, of the productive capacity and, so far as agriculture is concerned, the feeding end of the situation?

Mr. HOFFMAN. That is right.

Mr. KEEFE. The estimates of crop possibilities in England and these other recipient countries must constantly be surveyed in conjunction with the possibilities of world production, including our own, in order to determine this over-all question that the American people are interested in, that is, is this thing going to cause the reimposition of domestic controls here in this country?

Mr. HOFFMAN. Is that a question you are addressing to me?

Mr. KEEFE. No—and is it going to interfere with our own domestic economy to an extent that there is going to be a constant price rise here in America and all that sort of thing.

For instance, I heard the President's speech here on inflation the other day in which he painted a very gloomy, pessimistic future for our own people unless there was a reimposition of controls all along the line. Is this program devised with the idea that such systems of controls as he suggested in his most recent speech on inflation will continually have to become a part of this program?

Mr. HOFFMAN. I have no informed judgment on this question of controls. I think I made my position clear, that I would hope that we could accomplish what we need to accomplish so far as this program is concerned with voluntary controls. That, however, is a problem that I will have to learn more about.

QUESTION AS TO POSSIBLE CONFLICTS BETWEEN REPRESENTATIVES OF ADMINISTRATION AND DEPARTMENT OF STATE

Mr. KEEFE. Is there any possible line of conflict between the State Department in the operation of this program abroad and the authority of the roving ambassador and the other people that are to be appointed in these various countries?

Mr. HOFFMAN. I certainly think there is always opportunity for conflict. I would hope that in the main any differences that might develop would be resolved at the various levels. I do think that our Administration has the great advantage of being beamed to a single objective, and that is recovery. And therefore we can answer questions that come up in the administration of the program on that basis; whereas the State Department would have to take into consideration numerous other policy questions that may be up in a given country.

I am new to this job, but I would certainly hope that we could avoid conflict. But there might very well come a time when there would be some honest differences of opinion that would have to be resolved by the President.

Mr. KEEFE. I am asking the question because of some statements that were made with respect to some conflicts that arose in Greece between Mr. Griswold and our Ambassador to Greece, in the clearance of programs and planning, and all that sort of thing.

Here you have a situation that involves the Army in Germany, where it is under Army control; and you have various ambassadors and diplomatic and consular officers scattered throughout these countries. Then you have a Roving Ambassador of your own charged with certain powers under the basic law. Then you have a certain set-up organizationally to handle this program over there. The State Department itself has prepared a program for you which is supposed to be integrated into your set-up and as you go along, you have authority to change it or modify it as the program develops, I assume. But so far as this committee is concerned, all we have is the program that is here before us.

Mr. LOVETT. Mr. Keefe, may I brief Mr. Hoffman on the Greek-Turkish matter so that he will understand the point of your question?

Mr. KEEFE. Surely.

Mr. LOVETT. The Greek-Turkish program was covered, I think, by Public Law No. 75. That provided an aid mission to Greece and a military mission to Turkey under the operational control and direction of the State Department. We also had an embassy there. Mr. Keefe's question therefore points out that in order to get a strong operator, he had to have the rank of ambassador, so we had an ambassador running the embassy and we had the aid mission set up separately. As I recall it—this having occurred before I came down here—that was necessary in order to get the type of man that was needed.

Conflict initially developed between them. They were both under State Department control.

Mr. Keefe's question, therefore, is aimed at drawing an expression of opinion from you on a situation in which both are not under the same control, as they were in the Greek-Turkish affair. As the Administrator you have a representative abroad and the State Department in connection with its normal representation of this Government and business interests abroad also has representatives. Will this cause conflict? That is the question.

If I may say so, Mr. Keefe, I think Mr. Hoffman's answer is a fair one. Those differences can be composed. We have to get along with every agency in the Government.

CONTRIBUTION OF VARIOUS DEPARTMENTS IN COMPOSITION OF ESTIMATED REQUIREMENTS

Mr. KEEFE. As the matter now stands the situation presented to this committee is that an estimate has been presented by the State Department as to the necessities, which estimate was made up in cooperation with the other agencies of the Government.

Mr. LOVETT. The figures to which you have referred are the product of the executive agencies charged with special functions. For example, the Agriculture figures were prepared by the Department of Agriculture. The figures relating to petroleum, coal, et cetera, were derived from the Department of the Interior. Certain figures on availabilities, and that type of data, came from Commerce. The financial status—balance of trade and other figures—came from the Treasury Department and the National Advisory Council. All those were brought together in this central committee which then accumulated them and put them into these documents as presented to you.

Mr. NITZE. I think it should be added that the final job of fitting this into the figure of $5,300,000,000 (because the requirements came out larger than $5,300,000,000) was done by the Department of State.

Mr. LOVETT. Yes, I will say that. In the period of the interregnum, in order to have the presentation available for this committee, the State Department took the funds covered in the enabling act and attempted to make a provisional distribution, indicating order of magnitude, essentiality, and so forth, simply for the convenience of the Administrator who will have to make the ultimate decision.

Mr. KEEFE. The State Department took this gross total that was made up after the consultation with the other departments of the Government and synchronized it, so to speak, with the program that is now presented here in order to come within the limits of the authorization as passed by the Congress?

Mr. LOVETT. Yes, sir.

Mr. KEEFE. That meant scaling it down?

Mr. NITZE. It meant scaling it down and it had to be done fairly arbitrarily.

Mr. KEEFE. I think, Mr. Chairman, I have no further general questions at this time.

AUTHORITY OF ADMINISTRATOR TO TERMINATE ASSISTANCE TO ANY PARTICIPATING COUNTRY

Mr. WIGGLESWORTH. Mr. Chairman, I would like to point out in connection with termination of assistance, a point that Mr. Keefe raised, that section 118 of the enabling act provides specifically that:

> The Administrator shall terminate the provision of assistance under this title to any participating country whenever he determines that (1) such country is not adhering to its agreement concluded under section 115, or is diverting from the purposes of this title assistance provided hereunder, and that in the circumstances remedial action other than termination will not more effectively promote the purposes of this title or (2) because of changed conditions, assistance is no longer consistent with the national interest of the United States.

Then it goes on to provide that—

Termination of assistance to any country under this section shall include the termination of deliveries of all supplies scheduled under the aid program for such country and not yet delivered.

So it would seem to me that regardless of what the Department of Commerce or any other department might do, the specific obligation is placed on the Administrator to terminate assistance under those conditions.

The CHAIRMAN. And I would hope that the Administrator would meet that responsibility whenever it arises.

Mr. HOFFMAN. Yes, sir.

OBJECTIVE OF ECA

The CHAIRMAN. Mr. Cannon, you may have the witness.

Mr. CANNON. By way of summary, Mr. Hoffman, what do you consider your job to be? That is, what objective do you hope to attain by the time you relinquish your commission?

Mr. HOFFMAN. We hope we will have contributed toward the prosperity of the western European countries and China to a point where those countries will be quite determined to maintain the democratic way of life.

Mr. MAHON. More able to maintain it?

Mr. HOFFMAN. More able to maintain it; yes, sir. In other words, I think—if I may add to that just a little—we feel that one of the greatest immunities to a foreign ideology is a little prosperity.

Mr. CANNON. In what respects does the program laid out for ECA parallel and in what respects does it differ from UNRRA and lend-lease?

Mr. HOFFMAN. Well, I never gave thought to that before. However, it is my impression that lend-lease was a method used during the period of the war to help our allies fight a war. UNRRA, as I remember it, was a relief organization and while relief is a part of this program, as it relates itself to recovery it is relief to that extent. We have a program for recovery in these European countries and in China and in that respect you might say that this is in a sense a war to win the peace.

Mr. CANNON. Lend-lease then was military and ECA is economic?

Mr. HOFFMAN. I should think so; sir, yes. Distinctly so, yes. I think the closer we stick to economic objectives, the better off we will be. I think recovery is our business. If we stick to that and do all we can to help bring it about, and if we are successful, I think we will have had a very important bearing on the future peace of the world.

EXPENDITURES TO DATE FOR RELIEF AND REHABILITATION ABROAD

Mr. CANNON. You may not have made a definite computation of this, but perhaps you could give us an approximate estimate; how much money has been spent up to this time for the purposes for which you are asking this appropriation?

Mr. HOFFMAN. I think I would have to understand that question more clearly. You mean all that has been spent—for the relief and rehabilitation of European and Asiatic peoples up to date.

Mr. MASON. Loans and gifts run altogether about $12,000,000,000.

Mr. HOFFMAN. My recollection is that it was between $12,000,000,000 and $13,000,000,000.

Mr. CANNON. Then the amount that you are asking here today is only a very small percentage of what has already been spent for this purpose?

Mr. HOFFMAN. I would say that there is nothing small about $5,000,000,000.

Mr. CANNON. But, comparatively speaking?

Mr. HOFFMAN. Perhaps a most valid comparison would be this, if I may put it this way. At the time that I appeared before the Senate Foreign Relations Committee and this question of financing came up, I said:

> I want you to understand before you consider me seriously for this job that I do not feel that any administrator would be—and certainly I would not be—willing to make any promises that we can get 100 cents to the dollar. We will come as close to that as possible. It might be possible to get 90 cents to the dollar. I think 80 might be more realistic when it comes to getting real value.

Mr. CANNON. Getting back to the subject of my question now, we have already spent considerably more than the amount submitted here for the purposes for which this money is to be spent; is that right?

Mr. HOFFMAN. Yes, sir.

Mr. CANNON. And what we have spent would, to a very large extent, be wasted if we did not continue the program, under the appropriation asked for in this estimate?

Mr. HOFFMAN. That is my opinion, sir.

EFFECT OF FAILURE TO CONTINUE FOREIGN AID

Mr. CANNON. As a matter of fact, what would be the effect of a failure to follow up the large amount that we have already spent with the amount asked here today?

Mr. HOFFMAN. I think we would have to go over that country by country. There are some countries which I think are in very good shape, as brought out this morning. But I think on the over-all, certainly the western European countries would be much more vulnerable to communistic infiltration and perhaps subjugation by Russia if we stopped in our tracks and did nothing. I think that is clear to me. That is my own view.

Mr. CANNON. And such a development would mean, largely, a waste of the large amounts that we have already invested in the attempt to rehabilitate Europe and to maintain democratic governments abroad?

Mr. HOFFMAN. I would think so, sir.

BASIC PURPOSE OF PROGRAM

Mr. CANNON. The purpose of all this expenditure, and especially the expenditureof the $4,245,000,000 is primarily of what? Is your prime purpose the service of the American people, or is your prime object the service of the people abroad?

Mr. HOFFMAN. I can speak only for myself. I think the justification for it lies in the effect it will have on the American people. If I did not believe the program would pay out as far as the American

people are concerned, I certainly would have been unwilling to undertake it.

Mr. CANNON. Then we are not undertaking this program through any altruistic motive; it is a question of good business rather than charity?

Mr. HOFFMAN. It certainly is with me, sir.

Mr. CANNON. And you expect to conduct this with that in view?

Mr. HOFFMAN. Certainly, sir.

BASIS FOR ESTIMATE

Mr. CANNON. The estimate here is $4,245,000,000 and still you tell us you are not in a position to give us a break-down. I can very well understand that, due to the fact that you have to feel your way along and you cannot say just yet how much and where and when you will spend this money. But how did you arrive at this particular figure and why did you not make it 4¼ billion dollars or 4½ billion dollars or 4 billion dollars? Why $4,245,000,000? What is the basis of the computation by which you arrived at $4,245,000,000?

Mr. HOFFMAN. I think you have got to break that figure down. This morning I attempted to do that and I would like to repeat it this afternoon. There was the $5,300,000,000 figure. The Harriman Committee figure was somewhat higher than that and the World Bank figure was also higher than that. That is from the standpoint of promoting recovery. Now, if you take out $2,500,000,000 for food—I think that is the approximate amount that is to go to food—and take out $1,000,000,000 for loans which will be used largely for economic recovery, you have $1,800,000,000 that you can work with from the economic-recovery standpoint. So that we are talking, as far as expenditures are concerned, about $1,800,000,000 for economic recovery among the 16 nations, plus Germany, plus China. I would say that most of us who worked on this were of the opinion that it would take very careful planning and very rigorous scrutiny of expenditures in order to come within the figure that we set, which was higher than this figure.

Mr. CANNON. Your full authorization was $5,300,000,000?

Mr. HOFFMAN. Yes, sir.

Mr. CANNON. Does this mean that you do not expect to ask for the remainder of the authorization, or does this mean that this will be sufficient for the present and that ultimately you expect to ask for the entire amount authorized by Congress?

Mr. HOFFMAN. Are you talking, sir, about this year or over the 4-year period?

(Discussion off the record.)

Mr. CANNON. How is it that you are only asking for $4,245,000,000 when the authorization is $5,300,000,000? Why did you not ask for the entire amount? Do you expect later on to come in and ask for the rest of the entire amount of the authorization?

Mr. HOFFMAN. I am not certain that I understand the question, but included within the $5,300,000,000 over-all figure is $1,000,000,000 of loans. I think that good loans can be made that will contribute toward recovery.

Mr. CANNON. You have not answered the question yet.

Mr. HOFFMAN. Perhaps I do not understand the question.

Mr. CANNON. Why did you not ask for $5,300,000,000? Why did you ask for only $4,245,000,000?

Mr. HOFFMAN. Frankly, I was not here when that amount was proposed and came into this picture only after——

Mr. CANNON. Perhaps someone else can give the answer.

Mr. BISSELL. My impression is, sir, that $55,000,000 has already been appropriated by the Congress in Public No. 470; $1,000,000,000 will be furnished, I believe it is correct to say, as a public-debt transaction; that is, through the sale of notes by the Economic Cooperation Administration to the Treasury; and that $1,000,000,000, if my understanding is correct, which can be furnished through such a transaction after the beginning of the next fiscal year, is a part of the surplus for the present fiscal year which is to be impounded for that and similar purposes.

Mr. CANNON. Eventually, then, you do expect to use the full $5,300,000,000?

Mr. BISSELL. That is correct, sir.

Mr. CANNON. That being true, I believe you said you expected to use $2,500,000,000 for food and $1,000,000,000 for loans?

Mr. HOFFMAN. Approximately.

Mr. CANNON. That would leave $745,000,000 in this estimate and it would leave the money that you would get from the RFC and the money that has already been appropriated, $55,000,000. What do you expect to do with the remainder of the money?

FUNDS TO FINANCE RECOVERY PROGRAM

Mr. HOFFMAN. You mean the $1,700,000,000?

Mr. CANNON. After you take out the $2,500,000,000 for food and the $1,000,000,000 for loans, what do you expect to do with the remainder, $745,000,000? And what do you expect to do with this money that you have received or we have received from the RFC?

Mr. HOFFMAN. The remainder of $1,700,000,000 in addition to the $1,000,000,000 of loans would, of course, be used to finance the recovery program as distinct from the program in which a shipment of food is largely for relief purposes. The detail of that program, of course, and all of the program, in fact, is set forth in the presentation that will be made. But as I said this morning, that is a part of the program in which it seems to me we will have to have flexibility if we are going to get value received for the money.

QUESTION AS TO COOPERATION AND CONTRIBUTION FROM OTHER SOURCES

Mr. CANNON. In previous programs for European recovery we have had the cooperation and support and contributions of other nations. Are the cooperation and contributions from any other source included as a part of your program?

Mr. HOFFMAN. I think that Secretary Lovett could answer that question better than I. I just do not know to what extent we can look to other nations for help in this general recovery program.

Mr. CANNON. You are not at this time prepared to answer that?

Mr. WIGGLESWORTH. You have $1,285,000,000 in your justifications for that purpose, I think.

Mr. CANNON. You would prefer not to put a statement in the record on that?

Mr. HOFFMAN. I am not prepared to answer that question.

Mr. CANNON. With reference to the $2.5 billion that you expect to spend for food, how much of that will be spent in the United States?

Mr. HOFFMAN. I cannot answer that question. The schedules are all here.

Mr. CANNON. You are not at this time in a position to say?

Mr. BISSELL. I believe that question can be answered in the more detailed testimony.

Mr. CANNON. We will pass that over for the present, then.

DISCUSSION OF ECONOMIC CONDITIONS IN CERTAIN COUNTRIES

I believe statutory provision is made to help 16 nations. When we were abroad—for instance, when I was in Ireland—I was told that more food had been produced there and they were enjoying a higher standard of living than ever before in their history; that so great was the food production that they were shipping 1,000 head of cattle to England every day. That situation doubtless obtains at this time as well. So you would not provide food for Ireland, would you?

Mr. HOFFMAN. Sir, I do not know what the details of this estimate are so far as Ireland is concerned.

Mr. CANNON. You are not yet in a position to go into that?

Mr. HOFFMAN. No; I am not.

Mr. CANNON. When we were in Belgium, we found Belgium with no rationing, no limitations of any kind whatever, with everything running wide open as it was here in the United States, apparently there was no shortage there. Of course, I understand there is a possibility that that situation might not continue indefinitely and you could be in a position to meet the emergency if it arose. But the emergency might not arise. You know, there is a great difference between the condition of Belgium and of Holland, for example.

Mr. HOFFMAN. Yes, sir.

Mr. CANNON. All of Belgium's colonies, the Congo, were providing and have continued to provide revenue whereas, just across the line in the Netherlands, their colonies have been a source of tremendous expense in the attempt of the Netherlands to pacify the islands, from which they were then receiving no income whatever. Belgium then would be treated on a different basis from the Netherlands, is that correct?

Mr. HOFFMAN. Yes, sir.

Mr. CANNON. And, of course, I do not suppose Switzerland is named, is it?

Mr. HOFFMAN. It is one of the 16 countries, but it is on a cash basis strictly. As the chairman suggested, there is no need of our getting to Switzerland. Switzerland is doing all right.

Mr. CANNON. And I suppose Sweden was never so prosperous as she is today?

Mr. HOFFMAN. I understand that Sweden is very prosperous and certainly any help that we might give Sweden, I should think, would be on a loan basis.

Mr. CANNON. In other words, then, just because there are 16 nations named in the statutory provision, that does not mean that you are going to provide food for 16 nations?

Mr. HOFFMAN. No, sir. I think the program, sir, has to be tailored to each nation.

Mr. CANNON. Some will get more than others, in proportion to their need and some will get none at all?

Mr. HOFFMAN. That is right.

Mr. CANNON. And you are not in a position at this time to break down the amount of the food expenditures?

Mr. HOFFMAN. The break-downs are all here for the various countries and I think Secretary Lovett will probably testify on those break-downs or there will be testimony on them from those who made up these estimates.

ALLOCATION OF LOANS

Mr. CANNON. How are these loans to be allocated, the $1,000,000,000 worth of loans? Will each of the 16 countries be in a position to make application for a loan?

Mr. HOFFMAN. Certainly some of the countries might apply but they would not be in a position to give us any collateral for loans or any hope of repayment, notably Greece and Austria. There is no point in taking the notes of Greece and Austria, because they would not be paid. One of our convictions is that loans should be loans and grants should be grants. And as we go along we propose to try to apply sound business practices to what is a loan; under the enabling Act we have to consult with the National Advisory Council and I think the final decision is ours. We would hope that in every case we could have a unanimous decision as to what part of the advances made to any country should take the form of grants and what part should take the form of loans, with the idea that the loans should be good loans.

Mr. CANNON. You do not expect, then, that any of this $2.5 billion to be expended for food will be paid back?

Mr. HOFFMAN. I think the Congress very wisely provided, even in the case of food, that they be paid for in local currencies and one part of this program that is hopeful is the chance that we have to supervise the manner in which those local funds are expended. We hope that we can get a multiple value out of our advances by reason of the provision that gives us a veto power on how that local currency is used. Of course, as far as getting it back is concerned, the answer is "No."

Mr. CANNON. You do not expect to get it back?

Mr. HOFFMAN. No, sir.

Mr. CANNON. As to the loans, do you expect to get some of them back or all of them back?

Mr. HOFFMAN. As far as we can do so, any of these loans that we make will be good loans.

Mr. CANNON. You do not expect that we will make any loans to Austria and Greece?

Mr. HOFFMAN. No, sir.

TERMS OF LOANS

Mr. CANNON. And as to the money that is loaned, you would expect those to be good loans with good collateral, with the expectation of liquidation?

Mr. HOFFMAN. Yes, sir.

Mr. CANNON. At what rate of interest?

Mr. HOFFMAN. That I cannot answer, sir.

Mr. CANNON. Will the rate of interest vary or will it be with or without interest?

Mr. HOFFMAN. That is under discussion now, and the big idea is to see that we set an interest rate that makes it really noncompetitive. In other words, we do not want people coming to us for loans because they can get them on a better interest basis than they can get loans somewhere else. We have the World Bank. And, of course, we are operating with the Export-Import Bank. But that is under discussion and I think will be worked out so that there will not be any competition for loans from the standpoint of interest rates.

PURPOSES OF LOANS

Mr. CANNON. In view of the fact that you are donating the food, none of this money that is loaned will be used, as has been the case in the past, for the purchase of food. For what purposes do you expect to make loans? What conditions will there have to be to justify a loan? I suppose, like any good banker, when someone comes in and asks for money, you say, "What are you going to use this for?"

Mr. HOFFMAN. I think the loans should be made on the basis largely either of trying to purchase equipment to modernize industrial plants or, loans would certainly be sound loans if they were to cover the purchase of raw materials for inventory purposes. I would say that the usual banking standards would apply to loans made under our authority.

Mr. CANNON. And each loan would be considered on its merits?

Mr. HOFFMAN. Yes, sir.

Mr. CANNON. Of course, you will doubtless have applications for considerably more than $1,000,000,000. That being true you will have to screen your loans and you will have to select the loans that you think are most meritorious. Now, is this figure of $1,000,000,000 an arbitrary figure? Could you, if need be, go above it, or do you think you will fall below it?

Mr. HOFFMAN. I think that is in the enabling act. That is, 20 percent or $1,000,000,000 can be furnished only on a loan basis. I do not know how much hope there is that we can go beyond that. If we can, why, we will. I think theoretically you could make all of the $2.8 billion loans but I am quite sure that would not be very realistic.

We would like to have testimony from people better informed, I think, but offhand I would say that the $1,000,000,000 or 20 percent probably represents a pretty fair figure of what should be put out on a loan basis, just as an over-all figure. That does not mean that we are going to hold it necessarily to that figure.

Mr. CANNON. Under the circumstances which you outline, then, the amounts will vary with the countries?

Mr. HOFFMAN. Yes, sir.

Mr. CANNON. England, I take for granted, will get a larger amount, due to the fact that she has larger industries; or would you say that that would be true?

Mr. HOFFMAN. That is a question I would like to answer somewhat later after we have had a chance to investigate.

Mr. CANNON. On the whole, then, you are unable to tell us very definitely at this time just what money will be used for what purpose; when it will be spent, how it will be spent, how it will be loaned? About all that you can give us at this time is the general category of food which will call for 2.5 billion dollars.

Mr. HOFFMAN. It will be about that. It might be 2.25 billion dollars or it might be 2.5 billion dollars.

Mr. CANNON. The figure, I take it, is adjustable. If you needed less, you would use less and if you needed more, you would have to use more. In round figures you have $1,000,000,000 for loans. Now, the job which you envision, the objective which you outlined a while ago, do you think it can be accomplished with this amount of money or do you think it will be necessary to come back here for more money during the period for which this is to be appropriated?

Mr. HOFFMAN. I think it is only fair to say that if there is any doubt it is better that we not have to come back.

Mr. CANNON. And you hope you will not have to come back, you hope that you will not need to come back.

Mr. HOFFMAN. I would say that we do not intend to come back.

QUESTION AS TO TIME TO COMPLETE PROGRAM

Mr. CANNON. Now, as to the part of this program: You say you do not expect to keep this program in the next fiscal year; how long do you think it will take, over how long a period must it be in effect, and be financed by the United States Government to complete the program of rehabilitation and relief in Europe and Asia?

Mr. HOFFMAN. Of course the figure that has been used, I mean the program that has been discussed covers a 4-year period. I do not think anyone living can speak with any certainty as to whether the program can be accomplished in 4 years or not. I think it is very wise to have made it a 1-year program, take a look at it, see what has been accomplished, if progress has been made, and then consider it next year.

I think it is fair to say that in Harriman committee we came out with the wide range of estimates as to what the total cost of the 4 years might be, and I think that anyone who was approached would have come out with a pretty widé range, and I do not believe that you can take any exact figure and say this is it.

Mr. CANNON. Do you think it would be reasonable to suppose, with the information you have at your command at this time, that we can complete the program within 4 years; is that a reasonable assumption?

Mr. HOFFMAN. I think it is a reasonable assumption to say that the program can be carried along far enough in four years, we might say, it has been materially accomplished, so that I think that we might work for the program winding up in four years.

Mr. CANNON. Then conceding that the job can be done in 4 years—and let us hope that it will—but as you say it is indefinite at this time—conceding it can be completed in 4 years and that the amount requested in this estimate and the funds which you will receive will

be sufficient to carry through the present fiscal year, what would you say would be the estimated over-all cost of the program for 4 years?

Mr. HOFFMAN. That is the very point I tried to answer when I said I think you can get a range of estimates; I do not think anybody knows.

Mr. CANNON. But you have something to go on?

Mr. HOFFMAN. I think, if you want a guess, I would say that this program can, if the dollar remains relatively stable in purchasing power, that this program can be carried out and the objective reached at a cost somewhere between, I would think, 13 and 18 billion dollars; that is the range.

ADVISABILITY OF EXPEDITIOUS CONSIDERATION OF ESTIMATES

Mr. CANNON. Then for the present we have got to go largely on faith and confidence in you—and I will say that we all have confidence in you, the utmost confidence; and next, we are going to have to turn over to you and depend upon you in many respects, and upon your judgment from time to time, because we cannot sit around this table now and just say how this money should be spent. Would we make speed, without having any further hearings, report a resolution to the House tomorrow morning for this $4,245,000,000? What is to be gained by further hearings, if you do not have something definite you can tell us, and in the last analysis we have got to depend upon you, and place confidence in you, and what objection could there be, or what is to be lost, by reporting the matter out tomorrow?

Mr. HOFFMAN. Sir, I think a great deal of very able work has been done by the executive departments of the Government.

Mr. CANNON. And certainly the Congress has debated the subject exhaustively, in considering the authorization and I am at a loss to know what we could add that would be of any value to it. Would that mean you would be able to start at an earlier date if we did that?

Mr. HOFFMAN. I think we have funds enough from the RFC to carry the program forward through any emergency phases.

Mr. CANNON. So nothing would be gained by speeding up this action on this estimate?

Mr. HOFFMAN. I think that the answer to that question is outside my province. In other words, I think the Congress has every right to satisfy itself fully as to what our plans are, and we certainly want and are ready to give you all the information, at any time you want it, as to what they are.

Mr. CANNON. There are many aspects to this. What would be the effect upon the conditions abroad if we should expedite action on this estimate?

Mr. HOFFMAN. I think that Secretary Lovett could answer that question better than I, but I can add that I think the sooner the issue is settled the better off we will be. But I do not speak with any expertness again, because I have not been abroad for some little while.

SIGNIFICANCE OF PROGRAM

Mr. KERR. Mr. Chairman, I have just a few observations to make and then may ask Mr. Hoffman to give his opinion about them.

I think it is pretty well understood, Mr. Hoffman, that you have great responsibilities resting upon you, responsibilities for two reasons,

one of them because this Nation, which has only a small percentage of the people of the world has become so powerful in the business field that it is the only one which has the wealth, is doing half of the business of the world, and can carry on such a program.

Of course, if the world and civilization collapses and disorder obtains throughout the nations of the world, we would suffer, and probably the reaction would hurt us more than any other nation in the world.

That being so there is a moral responsibility, and I think a great many people think that there is a moral responsibility on the part of this great Nation to rehabilitate the world, if it can be done in a proper manner, so we can still obtain the values which we have attained in life and maintain the standard of living that this Nation has acquired.

Do you not think this money. that is proposed for use in the program you are to administer among these nations can be so administered to bring about what we hope and pray for in the world, and that it would be just about the finest expenditure that was ever undertaken by any nation on earth, and that we are about the only one on earth that could undertake such a tremendous problem?

Mr. HOFFMAN. Yes, I certainly do. I think that I have observed, that to my mind there is a lack of hopefulness and of importance to Europe, because some people in speaking of the population make it sound as though Russia has such a vast number of people in comparison with America. Certainly Russia is a vast country, with a great number of people, but Europe, I find is thought in the minds of many people as having less numbers of people than Russia. Despite the fact that Russia has around 190,000,000 people, and we have 145,000,000 people, the western European countries have 275,000,000 people.

What happens to those 275,000,000 people, from the standpoint of their economy and political attitudes is of tremendous importance to us here in America. If those 275,000,000 people should go under and should accept totalitarianism in any form I think we would have to live in this country as a garrisoned state. I think the cost of maintaining that garrison state would be in such proportions that we would never get out from under these big taxes that we have had for the last few years. I think that even now we must recognize that we are living in a semi-garrison state, and we can only get out from under that if we are able to assist the 275,000,000 people in western Europe to fortify themselves in their desire to remain as free countries.

That is ranging a long way in trying to answer your question as to why this program seems to me to be of such tremendous significance to us in America from the dollar standpoint as well as from the standpoint of intangible values. We cannot just get away from the fact that we are not going to have any lessening of the tax load as long as we have to spend some $15,000,000,000 a year in this country to maintain ourselves as a garrison state, and I think that must be taken into account as we try to measure the cost of this program.

Mr. KERR. Of course, a great deal is involved in this program, and if we should fail the reaction would be very bad on this country.

Mr. HOFFMAN. Yes.

Mr. KERR. And probably the very thing that is disturbing the people of Europe, communism, might disturb our people more here than it is now, so that very problem is involved in it. And I hope that you may have God's help in the program. I would like to say that I think it is most fortunate that we have you to administer this

great program, and we have confidence in your ability to do the job.

Mr. HOFFMAN. I hope you will have 6 months from now.

Mr. KERR. And I pray God may have mercy on you, in your endeavors to solve the problem.

Mr. HOFFMAN. Thank you.

IMPORTANCE OF OBTAINING QUALIFIED ORGANIZATION

Mr. MAHON. Mr. Hoffman, as Judge Kerr has pointed out, you have a tremendous responsibility in leading this country in one of its greatest experiments in human history.

Have you made, or have you had an opportunity to make an on-the-ground study of the conditions of the world? What is your background insofar as travel and experience outside the continental United States is concerned?

Mr. HOFFMAN. I do not think I am particularly well qualified from the standpoint of my knowledge and intimacy of foreign economy; I do not think I am qualified to take on this assignment; I have traveled some in Europe; and I have just returned from Japan, but to my way of thinking to have knowledge of world economy would require perhaps a year's intensified study with the help of plenty of experts.

There may be some safety in the fact that I do not believe that I know too much about these economy questions outside this country, because it makes it clear to me that we have ahead of us the problem of getting the facts before we proceed with any program of recovery, and that we are going to have to move very cautiously in what we propose to do.

And as we have tried to make clear this morning in setting up this field program, that from the start we have felt quite obviously that the roving ambassador, the people who are familiar with these economic problems and programs not only in this country but throughout the world and who are familiar with these jobs are the prople we want to make the heads of these missions in countries where our real recovery program lies. It calls for searching studies. I think we have got to have the facts. I know something about the economy of England. I do not claim to know too much about it, but I have had enough knowledge to know that a great many improvements are needed in the English economy before they can be put on a basis where they are called efficient. We cannot expect to do all of that through our organization, but we can get some very fundamental changes made, which are necessary, if the English economy is to be brought up to the point where it is efficient and where it can be self-supporting in a real way.

Mr. MAHON. From your studies as a member of the Harriman committee and otherwise you are bound to know that one of the real stumbling blocks in the way of European recovery is a lack of confidence of the people of France and of the people of Italy and other European countries in their money. Of course, with the British pound it is not so bad, but it seems to me that if you have a branch of your organization that can figure out some way to get that thing going and get confidence restored in the money of those countries, and get free exchange of the farm products for the city man's product or dollars you are going to be on the right track. And you have got to have the right kind of men. What top salary can you pay under the act for good administrators over there?

Mr. HOFFMAN. We have 125 people provided who are out from under civil service, whom we can pay up to $15,000; some others, some 75 we can pay up to $10,000. That covers the whole range.

We have the right to employ consultants up to $50 a day, and apparently there is no limit on the number of consultants we can employ.

Mr. STEFAN. How much for consultants?

Mr. HOFFMAN. We can pay $50 a day for consultants.

Mr. MAHON. $10,000 to $15,000 a year salary to a great many men in industry in this country is not very much money.

Mr. HOFFMAN. I think that is right, but we have got to find people who feel this is a job that is of major importance, at least in trying to help us do the job here. And I have been encouraged with the fact that we have found in hundreds of applications that we have had, that there are hundreds of very top-side people, whom I think will be glad to take a little vacation from their high salaries to help do this job, who would not, of course, assume that responsibility for private industry for any such amount as we can afford to pay them.

Mr. MAHON. That seems to me, of course, to be most important, and as long as you have the prestige which you now have, and as long as you can keep your organization at a high level of prestige these men no doubt will be willing to sacrifice of their time in order to help you do a good job on this gigantic enterprise, and I think it is most important, of course, that you keep that point in mind.

Mr. HOFFMAN. I certainly think so, and we have it very much in mind.

Mr. MAHON. Here is another thing that I think should concern you in connection with personnel: The man who goes into the organization, from my State, for instance, might be interested in cotton and it is going to be difficult to find anybody who will be of assistance in that line who may not have some selfish interest. Naturally, I myself am very interested in cotton. Maybe it will be manufacturing of one kind or another, and the employee will say "If I help the fellows overseas to get in position where they can compete with what I am doing here, where does that put me?" I have sometimes felt that the dollar-a-year men were the most expensive men we ever had; that we could have paid them in some instances a million dollars a year and might have saved money. Do you think you can avoid the selfishness and greed tendency of men who are going to administer this program.

Mr. HOFFMAN. Well, in the first place we have not contemplated, and will not contemplate, insofar as we can find men otherwise, to employ any dollar-a-year men. In other words, the men we have asked to come down here now, like Mr. Henderson, general counsel, and others whom we have in mind, have got to come down here and be willing to work for the Government and to serve the Government only for the salary they get. We are not going to, and do not contemplate taking anyone from industry on a dollar-a-year basis. We will use people in the field of experts as consultants, and we will bring them in, because they have specialized knowledge that they can apply to situations, and we can compensate them to some degree for their knowledge.

Mr. MAHON. But you do have a real problem there.

POTENTIAL ROLE OF TRADE BETWEEN WESTERN AND EASTERN EUROPEAN COUNTRIES IN PROGRAM

Another thing that may cause you a great deal of trouble is this business of Russia and her satellite countries, which you have spoken of. If you try to revive trade between western European countries and eastern European countries, and if such trade tends to bring these countries to the point where they can be made self-sufficient and are able to run their governments, and are able to employ their people to the extent they can stand on their own feet and maintain their independence and their political integrity that is all to the good, of course. What is your thinking along that line?

Mr. HOFFMAN. I think the language of the act, as I pointed out this morning——

Mr. MAHON. I am somewhat familiar with the provisions of the act.

Mr. HOFFMAN. It very clearly specifies that in carrying on any kind of trade, whether directly or indirectly, that we are expected to carry out the intent of the act in that respect.

I think, however, that there is a chance to substantially increase the trade between the East and the West for the clear advantage of the West. In other words, if in some of the eastern countries, the satellite countries which have their people under police control, that do not have any vote, so they have no right to say what kind of government they want—but we are trying through experiment to get the people of western Europe in a frame of mind, where they are eager to remain democratic. So I do not think we will greatly adversely affect the people of the East if we try, through right methods to open up trade between the East and the West to improve the economic situation of the people of the West.

Mr. MAHON. That is, if you can get from the East the food and other items that are needed in the West you have no objection to that sort of trade going on?

Mr. HOFFMAN. No; provided the trade does not directly or indirectly run counter to the provisions of the enabling act.

Mr. MAHON. Yes. In other words, your job is to try to help these great western European countries to get on their feet, in short, to stimulate their production, farming and otherwise.

Mr. HOFFMAN. Let me give you an extreme example as an illustration: If we can sell watches in Russia and get back wheat, for example, I am in favor of it, and the more wheat we can get for watches the better we will be.

I think that a great volume of trade can be built up between the east and the west which will result in substantial improvement in the conditions of the west and which will not add to the war-making potentialities of either Russia or the satellite countries to any appreciable extent; and that I think should be developed and encouraged.

Mr. MAHON. In any good business usually there is a give-and-take attitude.

Mr. HOFFMAN. Yes.

REQUIREMENT FOR CAUTION AND JUDGMENT IN MAKING EXPENDITURES UNDER PROGRAM

Mr. MAHON. The United States is a very generous nation, but we have to look out for our interest as well. A lot of the world looks to us as Uncle Sugar; and it will be regrettable if we hand out this money to countries in western Europe indiscriminately, allow them to obtain as much as they can and spar for a position to get more, all without making some contribution.

Have you got enough genius and prospective genius in your organization ot meet that problem?

Mr. HOFFMAN. I think at the moment we have a great deal of awareness in our part of this problem, and I think most of us have come from situations where even a $1,000 was a lot of money, so that we do not look with any thoughtlessness on the spending of money.

And, as I pointed out, I do not think we can guarantee, and I want to repeat that we will not get 100 cents return on every dollar. As I pointed out, we are engaged in a fight to win the peace, and I would like to have you remember that we spent over $300,000,000,000 in trying to win the war and I think anyone would agree that we wasted probably $70,000,000,000 of those $300,000,000,000. We had to waste, because speed was necessary. We could not afford then to be as cautious as we would like to be now, and in the use of the 5.3 billion dollars for this year, if it is provided, we are going to exercise all of the judgment we can in spending that money and we are going to try to see that we get all the value from the expenditure we can, and we are going to make every dollar go as far as it can, but we are going to make mistakes along the way, and we are going to try to rectify them as quickly as we can.

NECESSITY FOR PROPER SUPERVISION

In other words what we have got to do is to build up proper supervision to the point where if we make a mistake we can find it out immediately, and if we go wrong we will not stay on the wrong track too long.

That is our approach to it, and that is why, as Mr. Bissell indicated, it is difficult at this time to say exactly what we need in the way of administrative personnel to assure that we will get value out of these loans and grants, for the whole 5.3 billion dollars, and in order to do that we have got to follow through the expenditures to find that we are getting returns in form of goods for the expenditures of the money that we expend, and that is what we propose to do.

IMPORTANCE OF STIMULATION OF EUROPEAN TRADE AS MEANS TO RECOVERY

Mr. MAHON. It is perfectly obvious that the coal miner in Germany and the industrial worker in the steel mill, if he had some fruit from Italy and maybe some tobacco from Turkey or North Carolina—principally from North Carolina in deference to Judge Kerr—and if

he had a little olive oil from Greece, and if he had a little of this and that could increase his production, and it seems to me that if you could spend a little time encouraging efforts to help those people help themselves it might do a lot of good and get results.

Mr. HOFFMAN. I think you are quite right, Mr. Mahon. Of course when you figure out that our total contribution is only about 5 percent of the total that the 5 percent has got to have a stimulating and generative result if it is going to be effective. In other words, we cannot get Europe back on her feet, and the only way Europe is going to be able to get back on her feet is by herself, but we can help them to stimulate trade in those places where the dollars have been pretty well exhausted, we can help give them security, to help themselves over this hump, but we have got to do it from the standpoint of helping them to get under way themselves, and one of the big things they need is assistance to revive their own confidence in our way of life. And I think perhaps that is the way we can make a real contribution.

Mr. MAHON. Some of these countries are back to the prewar level already, more or less. I understood from the testimony this morning that one of the reasons that prevented a total collapse was the amount of help that America has given, and now if we pull out of Europe much of what we have done in the past would be lost.

DECREASE IN EXPORTS DURING FIRST YEAR OF PROGRAM

Now we are worrying here about the question of having controls put on prices; that prices are going higher in this country, that people are going to have to pay more because of this effort to help these people.

In your opinion, in the first year of this program, will exports from the United States be greater or less than they were for last year?

Mr. HOFFMAN. I think the exports will probably be somewhat less.

Mr. BISSELL. I think 2 or 3 billion dollars less, in terms of actual exports—that is not only for Europe, but——

Mr. HOFFMAN (interposing). We are not talking about expanding our program of exports. There is going to be a smaller program of exports in the next 12 months, as compared with the amount that has been authorized, with the full amount that has been authorized for appropriation.

Mr. MAHON. Last year we probably exported between 15 and 17 billion dollars worth of products and goods, did we not?

Mr. BISSELL. One figure, which includes not only merchandise exported, but also goods and services, according to my report, shows between 18 and 19 billion dollars.

Mr. MAHON. We are still going to have a gigantic world trade, irrespective of this program which you are to administer.

Mr. HOFFMAN. Yes.

QUESTION AS TO INTERFERENCE WITH NORMAL COURSE OF TRADE

Mr. MAHON. What kind of a liaison are you going to have with this Government control and the natural program that would flow irrespective of the program?

Mr. HOFFMAN. Well of course, the act provides, and as Mr. Bissell said this morning our whole tendency is to try to restrict the area in

which the Government will do the procuring. We want to narrow that, not expand it, so that as the individual trade and private trade comes along it will automatically check it.

Mr. MAHON. Yes.

Mr. HOFFMAN. The only place we will interfere with the normal course of trade would be in the area where they have Government purchases. As I say, we do not have the answer there, except we have our own attitude toward it, which I think is duplicated by expressed provisions in the enabling act.

Mr. MAHON. How are you going to actually get these representatives of the 16 nations together and have them work with you in this program; will they be in constant contact with the program; or through the embassies, or how are you going to get X country to agree to do this with Y country, or to have ABC do this or that; how can you work that out without entailing a lot of red tape that will bog you down?

Mr. HOFFMAN. Of course we have one control that is quite effective, and that is we have the money, and therefore, when we have the promise of these 16 European nations that they will do certain things in this program we will act on that promise. And, we have every right to expect the European nations voluntarily to carry out their obligations, which we think they will. At the same time we perhaps have a measure of influence from the fact that if they do not carry out their promises and fulfill their obligations we are under no obligation to put up the money.

Mr. MAHON. Yes; who is going to administer the cotton program and the wheat program?

Mr. HOFFMAN. In general—on the cotton program we are not quite set up. Of course, the whole food and farm program comes under Dr. Fitzgerald.

Mr. MAHON. You have not selected the man to handle the cotton program?

Mr. HOFFMAN. We are still open on that.

Mr. MAHON. Thank you very much, Mr. Hoffman.

PRECAUTIONS AGAINST SUBVERSIVE INFLUENCES AMONG PERSONNEL

Mr. CANNON. May I ask you one or two questions in connection with your discussion of personnel, and in connection with the chairman's inquiry as to your background and that of the other personnel—whether you are a Communist?

Mr. HOFFMAN. A Communist?

Mr. CANNON. Yes.

Mr. MAHON. Yes. The State Department is said by critics to be absolutely honey-combed with Communists.

Mr. HOFFMAN. I understand that charge has been made.

Mr. CANNON. Are you a Communist or is Mr. Bissell a Communist?

Mr. HOFFMAN. Absolutely not; I think——

Mr. CANNON. Do you ever associate with Communists?

Mr. HOFFMAN. I am not conscious of the fact that I have ever associated with Communists.

Mr. CANNON. What precautions are you taking to be sure there will be no infiltration of Communists or communism in your staff and in your personnel?

Mr. HOFFMAN. We are taking every precaution we know how. First we have the FBI check on the personnel, and we make considerable survey of the personnel in addition to the FBI's check.

Mr. CANNON. Not only as to their business ability, which you mu first of all ascertain in the employment of persons, but also perso advocating subversive principles, we can be certain there will be nothing of that sort in your organization?

Mr. HOFFMAN. If anybody gets by he is going to be good; I ca tell you that.

Mr. CANNON. Now, to be a little more serious: Will the amount of commodities exported under the appropriation as authorized, be sufficient to deplete the domestic supply so as to make it impossible for the local consumer to have as much as he requires of any commodities?

Mr. HOFFMAN. I do not think we can take the position that the purchase of the amount of food and other items contemplated will have no effect on this country's economy as a whole.

EFFECT OF PROGRAM UPON DOMESTIC SUPPLY OF CERTAIN COMMODITIES

Mr. CANNON. What I wanted to know is will the exports of wheat be sufficient that there will not be enough wheat for domestic consumption?

Mr. HOFFMAN. I think that question should be answered very explicitly with "No," as the crop situation looks today, and if it continues.

Mr. CANNON. So in your opinion, if such a situation should unexpectedly develop with respect to the wheat crop or any other basic commodities, coming under your program, are you in position to promptly discontinue the exports due to lowering of domestic supply?

Mr. HOFFMAN. Under the enabling act we have got to keep that in mind.

Mr. CANNON. And you hope to do so.

Mr. HOFFMAN. And we would expect to do that.

Mr. CANNON. There would be no sacrifice on the part of the American public, insofar as anything except the amount of taxes they might have to pay for the program?

Mr. HOFFMAN. I think certainly that America is going to have to pay, and I think some here along the line there is to have to be real sacrifice.

Mr. CANNON. In wl espect?

Mr. HOFFMAN. I th n the payment of taxes.

Mr. CANNON. And a say, with the exception of taxes?

Mr. HOFFMAN. I do not think we will have any suffering; I think we will still live extremely well in America, extremely well in America and carry out this program, but I do not think that we ought to overlook the fact that this program is going to be paid for by the American people.

Mr. BISSELL. Could I just add a word. I can cite the case of steel, which is a commodity that is already short in the United States, and I think it would be foolish to argue that putting even a ton of steel abroad does not affect the demand of steel at home.

Mr. CANNON. And doubtless there are other commodities in that category.

Mr. BISSELL. I was using this one as an illustration that came to my mind.

Mr. CANNON. Will you go into that a little more fully when your testimony comes to you, and if you remember any other commodities of any importance, such as steel, agricultural commodities, you might list them.

Mr. MAHON. Generators, motors, electrical equipment.

Mr. BISSELL. There are quite a few industrial items.

Mr. CANNON. What about steel?

Mr. BISSELL. The physical amount is something in the order of 1.5 million tons of steel involved in this program.

Mr. CANNON. What percentage is that of the domestic consumption?

Mr. BISSELL. The total consumption is about 60,000,000 tons, as I recall; it would be in the order of about 2 percent of the domestic consumption—I can verify those figures.

Mr. CANNON. While it may then to some extent take some of the domestic supply it will not involve any increased amount?

Mr. BISSELL. That is correct. I think it should be added that it will not always increase the amount over what has been going abroad.

Mr. CANNON. Even without the money that is here appropriated for this program, the amount of steel that would be exported to Europe probably would amount to about the same as it has been?

Mr. BISSELL. I would think somewhat less—I cannot say off-hand just how much less—but I think it would be something in the order two-thirds or three-fourths of the same amount.

Mr. CANNON. Then in terms of percentages the exports will run smaller under this program?

Mr. BISSELL. Yes.

EFFECT OF PROGRAM UPON PRICES OF AGRICULTURAL COMMODITIES

Mr. CANNON. One other question: On the other hand will not this program really maintain our national income at a higher standard than otherwise would be maintained without this program, through business being created by it?

Mr. HOFFMAN. May I say that I think we are on very dangerous ground if we think in terms of justifying our own economy by grants to other nations. I think that would be starting down a blind alley. We have things to give away, and if we think we can get by through giving them away, and thus fortify our economy, let us give them to our own people. I do not believe that to be sound.

Mr. CANNON. Then, let us be a little more specific: Let us take cotton and wheat and other agricultural products: Will not this program, to some extent, maintain the present prices of cotton, wheat, and other agricultural commodities? Inevitably in our economy there is going to be some decline in agricultural prices, but will not the effect of this program be to retard those declines in price of wheat and cotton which might otherwise occur?

Mr. HOFFMAN. I think that is quite possible, but I do not think that is a very valid argument for the program.

Mr. CANNON. I am not using it as an argument for the program; I am merely discussing one of the byproducts of the program.

Mr. HOFFMAN. Yes.

Mr. CANNON. And as a result of this program it will tend to cushion the declines that would otherwise affect agricultural products.

Mr. HOFFMAN. I think so.

Mr. CANNON. And also to a similar extent it will maintain our national income at a little higher level, and whether that is a contribution to be desired is something else, but it will have that effect.

Mr. HOFFMAN. I think that is true.

Mr. BISSELL. I think so.

The CHAIRMAN. If no one has any general questions at this moment to ask of Mr. Hoffman, we will go on with Mr. Lovett.

You may proceed as you wish and give us the picture of the foreign situation and what you care to of this program. I do not know to what extent you intend personally to cover it, but we will be glad to have whatever statement you care to make on it.

Mr. LOVETT. Thank you very much.

BASIC PRINCIPLES GUIDING FORMULATION OF PROGRAM

The justification which we are about to present for the appropriation requested under the Economic Cooperation Act of 1948—the European recovery title of Public Law 472—is based on the fundamental principles expressed in the "Findings and Declaration of Policy" of the act. As you know, the act states:

> * * * The Congress finds that the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations.

The act goes on to say:

> The restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance. The accomplishment of these objectives calls for a plan of European recovery * * *.

The act then states that—

> * * * It is further declared to be the policy of the people of the United States to sustain and strengthen principles of individual liberty, free institutions, and genuine independence in Europe through assistance of those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation: *Provided*, That no assistance to the participating countries herein contemplated shall seriously impair the economic stability of the United States. * * *

I want to assure you that, from the very inception of work by the executive branch, work that began last summer, these basic principles have guided our efforts. An economically healthy and strong Europe not dependent on outside assistance is an essential to lasting peace. It is essential if one major aspect of the Communist threat is to be resolved, the problem of internal aggression by Communist forces who spawn and multiply in conditions of economic hopelessness. It is likewise essential if the physical strength required to resist the threat of external aggression is to be regained by free Europe. So we have from the very beginning considered the requirements of the European recovery program against the clear standards of its effect in contributing to a lasting peace and thus directly to our American national interest.

No amount of American aid can put free Europe back on its feet, however, unless the Europeans themselves are genuinely trying to achieve the same end. Maximum self-help on the part of each country and maximum cooperation among them all is vital to the concept of European recovery. In our development of the program of American assistance and in the production of our estimates of European requirements, we have kept these facts very much in mind.

NECESSITY FOR EUROPEAN COOPERATION

A heavy program of exports from Europe is required by our figures. This means European self-help. The aid we recommend be given is, in our estimation, a minimum to meet the situation after the most earnest efforts to help themselves have been made by the European countries and after European local resources and resources available from elsewhere without dollar expenditures have been used to the maximum. This means European cooperation. The $5.3 billion of projected American aid represents something under 5 percent, only, of the present total national product of the participating countries—but it does represent the final requirement to recovery—the essential one-twentieth of all they need which they cannot as yet pay for with their own dollar earnings.

CONSIDERATIONS AND METHODS USED FOR DETERMINING REQUIREMENTS FOR EUROPEAN ASSISTANCE

But in determining this amount of American aid, which you are about to examine in detail, we have used our best efforts to see that it does not represent a drain upon the economy of the United States which would be dangerous to the maintenance of our own economic economic strength and stability. You will remember that one of the first acts in relation to a program of American assistance to a European recovery program was the appointment by the President of three committees, the so-called Harriman, Nourse, and Krug committees, to examine into the effect of such assistance on the American economy. These committees concluded that, if properly administered, a reasonable program was within our capacity wisely and safely to provide.

The figures which have been presented to you represent a prodigious amount of work. I should like to review for you how they were derived. When the Committee of European Economic Cooperation met in Paris last summer, the countries participating presented their own estimates of requirements for outside assistance to bring about recovery in 4 years' time. These requirements, when compiled, totaled nearly $30,000,000,000 and obviously greatly exceeded available commodities or possible financial assistance. After friendly advice was given the CEEC, the requirements were screened down to a total of $22.4 billion, of which it was stated $8,000,000,000 were needed in the first year.

To obtain such figures, a great deal of work was done by the European countries. It was necessary for them to estimate what production could be developed over 4 years of uncertain future. This had to be developed from estimates of local resources available in Europe plus the imports that were needed and available. From production estimates an estimate was derived of the total exports

which would flow to the rest of the world, particularly to the Western Hemisphere. Estimated earnings from exports and other sources of dollars were applied against the cost of the needed imports and other dollar drains and in this way a final European estimate was obtained of the outside aid needed for recovery. This estimate was contained in the report of the CEEC that was forwarded to the United States Government last September.

Meanwhile, the executive branch has been organized to review the European report and to initiate, after this review, an American program. The Harriman committee of distinguished civilians was primarily concerned with available supplies and had to review the European estimates in order to make its own judgment of what could safely and wisely be provided. This it did. It also produced an estimated requirement for United States assistance during the year 1948 amounting to $5.75 billion.

The executive branch tackled the enormously complex problem through an administrative mechanism which permitted the expert knowledge of all the primarily interested departments and agencies of the Government to be integrated in the production of the American estimates of aid required.

The vast amount of information and statistical data on the foreign countries involved, which was available in the various departments of the United States Government and in private business, and the intimate knowledge of country and commodity specialists here in Washington were used as the backbone of the estimations. Representatives of the CEEC were invited to Washington where, for several weeks, they were questioned in considerable detail, both as to the CEEC figures and regarding matters not adequately covered in the CEEC report. Work on the executive-branch programs proceeded with country specialists and commodity specialists and resulted in the executive-branch version of European requirements.

Since the over-all objective of the recovery program is to bring about a condition, 4 years in the future, when Europe would no longer be dependent on American aid, it was necessary for the American programing to be projected over the entire 4¼ years of assistance that was contemplated. I cannot overstress the amount of painstaking labor that this involved. Granting that no group of human beings could accurately project the development of the economy of a most highly civilized and industrialized area such as Europe for many years into the future, nevertheless, if we were to be assured as to the reasonable possibilities of success for the program, the effort had to be made, and it was made.

The American program has been under review for over eight months. After the initial programs were worked out, they were examined by our American missions in the participating countries and by the participating countries themselves. In the light of information received from abroad, taking into account changes in availabilities that have occurred since the original figures were first developed, and taking into account constructive criticism from many sources, the program for the first 15 months, which was originally presented on December 19 of last year, was completely rerun in order to give the Appropriations Committees of the Congress the latest possible picture.

I have only one further point to make with regard to the figures. They were worked up by a great many people. The specialist point

of view from one source was reviewed by specialists in other fields. The resultant estimates were in turn reviewed in the over-all by top experts from the various departments and were compared with data from industry where available. No one person nor any small group of persons could have greatly influenced the final results. The volume of figures and statistics which you have before you, therefore, represent, to my mind, an objective evaluation of the requirements for European recovery.

REVIEW OF EUROPEAN SITUATION

May I now turn to a brief review of the European situation and how American aid fits into it? Western Europe represents an industrial complex and a center of production second only to the United States. Before the war this area supported its population by processing raw materials from all over the world to sell both in Europe and in many parts of the world. A large reservoir of skilled labor contributed in this process. The European countries also obtained a considerable proportion of their income from services to the world. Shipping, banking, and insurance connected with world trade and foreign investments earned from previous exports abroad added to the income of these countries and were in large measure the mechanisms upon which world trade depended. Before the war, participating countries imported from abroad over three times as much as did the United States, and their exports among themselves and other countries amounted to two and one-quarter times that of the United States. The basis of the industrial structure of western Europe lay upon coal, steel, and chemicals, and the production of these products before the war was slightly greater than that of the United States. Their economy was specialized and depended for its effect on a complex machinery of banking, convertible currencies, and a wide network of trade relationships.

The war had a nearly disastrous effect on this complex machine. Foreign investments and shipping were expended in quantity to carry on the war effort of the European countries. Productivity, particularly in coal, suffered severe setbacks due to war damage and the demands of the armed services for younger manpower. Occupation and the efforts after liberation to pick up the pieces of normal economy affected basically the stability of currencies. The dropping of the iron curtain dislocated the traditional patterns of trade between eastern and western Europe. Lessened agricultural production from the exhausted fields, which had been starved of fertilizers during the war, threw an added burden on the western European economy, particularly since populations had increased during the war and the postwar years. Even had the world returned, after the defeat of Hitler, to normalcy, there would have been great difficulties to be overcome by the free countries of Europe before a healthy economy could have been regained.

However, the world did not return to normalcy. Breeding in the economic instability of the postwar years and benefiting from the heritage of Nazi occupation, propaganda, hate, and fear, the Communists have entered into a militant program aimed at taking over, by infiltration and subversion, the countries that had not already fallen under the control of the Red Army. Their methods have been

to oppose economic recovery and to attempt to maintain a state of economic chaos and insecurity more favorable to the establishment of the totalitarian rule which is their objective.

AIM OF AMERICAN AID TO EUROPE

American aid to Europe is aimed at achieving a dual purpose—first, to provide the essential outside aid needed until the dislocated economy of Europe can be built to the high productivity required to support its population under tolerable conditions and, second, to create, through the effectuation of the first objective, confidence that the system of free economy can survive and so maintain the basis upon which free institutions and the rule of law can continue to exist. American economic aid to Europe is not all that is needed to bring about the conditions of genuine peace for which we all are striving, but it is an essential element and a prerequisite of peace. The European recovery program represents a turning point in the confused history of the postwar years.

SOURCE OF PERSONNEL AND FUNDS FOR DEVELOPING OF PROGRAM

Now, if you like, I will answer two questions which were asked, one being as to the personnel, as I recall it—a list of the personnel who worked on this—and then there was another question about the ECE report, Mr. Myrdal's report.

Mr. STEFAN. I think I asked how many they had on the pay roll now and whether or not you had an organizational chart to show what you were going to do. I am told you are not going to have that information complete for 2 or 3 months.

Mr. LOVETT. I am from the State Department, not the ECA. The ECA was asked for that.

Mr. STEFAN. Do you have a State Department break-down on personnel?

Mr. LOVETT. No, sir. The question that was asked us was for a list of personnel—and I think Mr. Case asked the question—that had been working on ERP figures in the development of the program, and I have that here. I will give it to you by reference, since it is very long. It is on pages 105 through 111 of the European recovery program hearings before the Committee on Foreign Relations of the Senate, part I.

Mr. STEFAN. That is the names of those who had worked on and prepared the ECA program?

Mr. LOVETT. That is right.

Mr. CASE. That amounts to this, that those who prepared the presentation to the Senate in the general outline of the European Recovery Program are the same persons who have prepared these estimates for the ECA?

Mr. LOVETT. Yes; for the most part, I think that is true.

Mr. STEFAN. Who paid for that? Did that require the contribution of any State Department funds?

Mr. LOVETT. They contributed, but the people, I think, came from a variety of departments.

Mr. STEFAN. They came from the various departments of the Government?

Mr. LOVETT. Yes. Agriculture did its share; Treasury did its share; NAC did its share.

Mr. STEFAN. Did we reimburse them from our funds?

Mr. LOVETT. I do not think we did.

Mr. PHILLIPS. We reimbursed the Army for our International Business Machines work just for the payment of the overtime of the operators.

Mr. STEFAN. Did we take it out of their administrative expense?

Mr. PHILLIPS. I do not know. But, for the most part, it was reimbursed in the sense that the Department of Agriculture donated the services of the people to do the work.

Mr. STEFAN. So a general statement would be that only a part of it was reimbursed and the rest of it was donated by the different departments?

Mr. LOVETT. Yes, sir; although there was some expense of printing and binding.

Mr. STEFAN. The reason I was asking that question was I wanted to know, as a result of this work, if we changed our appropriation some.

Mr. LOVETT. I do not think so; not very much. We covered that before your committee in the light of this expenditure.

Mr. STEFAN. But if you were going to work on this program, you would probably have to have some more money?

Mr. LOVETT. We would probably have to have some more money; yes.

Mr. CAWLEY. Provision is made in the administrative budget for ECA for some reimbursement to the State Department for their work.

Mr. LOVETT. I think that figure was something like $4,000,000 or $5,000,000, total, for all Departments.

Mr. CAWLEY. It was $4,000,000 for all departments.

Mr. STEFAN. To transfer to ECA?

Mr. CAWLEY. No, sir; this is for the work of other Departments. The provision of $4,000,000 was to reimburse certain Federal agencies for work to be done at the request of ECA.

Mr. STEFAN. As this program goes into operation, is not there going to be a tremendous amount of additional work on the part of the Foreign Service here?

Mr. LOVETT. I do not think so—not chargeable to the Foreign Service.

Mr. STEFAN. Are we going to get some reimbursement out of this $4,000,000 that Mr. Cawley was talking about?

Mr. LOVETT. Yes, sir.

Mr. NITZE. A great part of this work is uncompensated-for overtime in the State Department.

Mr. LOVETT. The list which is covered on pages 105 through 111 indicates a series of committees. I will read some of them. The top committee that pulled everything together was over in the State Department; the National Advisory Council, of course, is under the chairmanship of Mr. Snyder; the committees for drafting and that sort of thing were made up by these Department contributions of personnel. Then when we get to the important part—and I think this was the thing you asked for particularly, Mr. Case—the coal committee was under the chairmanship of John Havenner of Commerce; mining machinery under Mr. Leeke of the Department of Commerce; electric power was under Mr. Hibben of the Department of Commerce; petroleum was John Loftus of the State Department.

Members of that included the Army and Navy Petroleum Board, the Department of Commerce, Department of the Interior, in addition to the others. And consultants, of course, were brought in from the outside. Iron and steel was Mr. Palmer of the Department of Commerce, etc. It is set out in complete detail here.

REFERENCE OF REPORT OF ECONOMIC COMMISSION FOR EUROPE TO LEVELS OF PRODUCTION OF EUROPEAN COUNTRIES

The other question that I remember addressed to us, Mr. Chairman, was in connection with the Economic Commission for Europe's report and as to whether that had been studied. It has been studied.

The CHAIRMAN. That is this document we have here printed for the Foreign Affairs Committee?

Mr. LOVETT. That is right, sir.

The CHAIRMAN. The House had it printed?

Mr. LOVETT. Yes. I believe there was read into the record a telegram from Mr. Myrdal of the New York Times, disavowing Michael Hoffman's comments on his survey.

The CHAIRMAN. Who is he?

Mr. LOVETT. Michael Hoffman was the reporter.

The CHAIRMAN. The New York Times reporter?

Mr. LOVETT. Yes, sir.

The CHAIRMAN. What date was that?

Mr. LOVETT. April 12. He was the reporter who wrote the article that Mr. Case read. And the next day, April 13, Gunnar Myrdal for the ECE cabled from Geneva, and it was printed in the Times.

Mr. CASE. Of course, the references made to Mr. Hoffman's report were on the basis only of Mr. Hoffman's interpretation and comment on it, but the Secretary does not mean by reference to Myrdal's denial of Hoffman's interpretation that the State Department does not recognize the validity of the material or information given in the Myrdal statement?

Mr. LOVETT. No; not a bit.

Mr. CASE. You do regard that as a sound document, to be pretty well documented?

Mr. LOVETT. We think the report itself of this committee is a first class piece of work, Mr. Case.

Mr. CASE. So that the committee is warranted in looking upon this report of this commission from the United Nations as a thing it can study with profit?

Mr. LOVETT. Yes, sir. We feel that a conclusion should not be drawn from the tables but should be drawn from the text, in large part.

Mr. CASE. Of course, the conclusions; that happens to touch a point that I think people who appear on the other side of the table sometimes forget. After all it is the responsibility of the people sitting on this side of the table in matters of this sort to draw the conclusions from tables and from facts presented in testimony and not to accept conclusions from that side of the table necessarily. We may be in full agreement but that is the committee's responsibility to determine.

Mr. LOVETT. I am talking about the conclusions drawn by the ECE.

The CHAIRMAN. You mean the conclusions that are presented by Mr. Myrdal's group?

Mr. LOVETT. Yes, sir. I will give you an example——

The CHAIRMAN. You mean that his conclusions and his tables do not jibe?

Mr. LOVETT. No, sir; I mean that his conclusions are drawn from a series of tables and not from a single table. I think a couple of examples may make that clear. He restates the problem on page 76, down under item 5.

On the basis of the considerations thus summarized, the conclusion has been drawn that, if Europe is ultimately to balance its oversea accounts and yet restore its prewar standards of living, there will need to be an expansion in the production of heavy industries in the order of $2,000,000,000 (in prewar prices) both for the purpose of substituting for manufactured goods hitherto imported and for the purpose of increasing exports.

Now, to carry that idea a little bit further, Mr. Myrdal's committee came to the conclusion that the fact that an industrial index—we will say of the Netherlands just to take an example—is 97 percent of prewar (if that is the figure) does not mean that the Netherlands is in good shape. In fact, she is in rather bad shape at the moment, because she has not got the money to pay for the imports necessary to bring her up to a prewar standard of living or to keep her industries adequately supplied.

The proof of that is that here international balances have been depleted to the point, largerly through the loss of her East Indian empires, which were great raw commodity producers and dollar producers, so that she now has a deficit in international trade balances regardless of her percentage of production.

Therefore, Mr. Case, to try to put a pin in this point, so that we can identify it, the problem cannot be measured just by an industrial index of production, but must be related to the balance of that country's trade which may have been provided in the past by invisible items such as freight, insurance, earnings from overseas colonies, and so forth.

Mr. CASE. I recognize that a great deal of that balance was obtained by returns from overseas investments. But you mentioned the Netherlands with a percentage of production related to 1938. The Netherlands, in relation to European countries, had a percentage of 3.12. The Netherlands was a relatively small producer in proportion to the total European production but was up to 91 percent of their 1938 production.

Germany, on the other hand, which provided 16.62 percent of European production prewar in the three western zones—the highest figure she reached in the same time was 37 percent in one quarter, the last quarter of 1947.

Mr. LOVETT. That is right, sir.

Mr. CASE. So that it would seem to me that the weak spot, if you are talking about European production, the outstandingly weak spot is in Germany.

Mr. LOVETT. Well, Mr. Case, we are in full accord that Germany is the outstandingly weak spot.

Mr. CASE. And this vacuum that you talk about is a vacuum created in large part by the absence of normal production from Germany which includes such areas as the Ruhr.

Mr. LOVETT. To some extent that is undoubtedly true, sir. I do not know how to measure it. But where we disagree, with all due

respect, is the idea that Britain and the Netherlands, because of the index of production are in good shape. Britain is definitely not in good shape. She is running at a rate of deficit now which has brought her dollar resources down by almost 50 percent.

Mr. CASE. I think that is a bad situation and personally I happen to believe that she will never be able to correct that as long as she tries to maintain a fictitious value for the pound.

Mr. LOVETT. That undoubtedly plays some part in it, sir. But Myrdal's report was very clear that the offset to that is a very substantial expansion of exports.

POLICY OF STATE DEPARTMENT ON TRANSFER OF PRODUCTIVE CAPACITY OF GERMANY TO OTHER COUNTRIES

Mr. CASE. I had not expected to get into this discussion and I think perhaps the chairman wanted to ask some questions first. But you had gone back to this report and you were talking about that and I find it difficult for me to understand why, in the face of a situation which has just been referred to here that the State Department follows policies which call for the transfer of the productive capacity of Germany (a) to Russia, (b) to her satellites, (c) to other countries in Europe, with all the lag in time of production and loss of production that is attendant thereupon.

Now, General Clay came out the other day with a statement that said that the dismantlings and the removal of industry and the placing at the disposal of Russia and her satellites of industry inside the Russian zone amounted to 63 percent of German production. I had used the figure 55 percent when we had up that question of dismantlings and I gathered that the State Department thought that that was a pretty strong estimate. General Clay has now come out and said 63 percent.

Mr. LOVETT. I do not have personal knowledge what the percentage is, Mr. Case.

Mr. CASE. Well, it means taking East Prussia and Silesia which have gone over to the other side of the curtain——

Mr. LOVETT. That is right.

Mr. CASE. And taking the percentage of all German production that that amounted to, and taking your dismantlings for the benefit of Russia both inside of her zone and the 25 percent of the western zones—and for the benefit of the satellite countries, which got approximately 14 percent of the remaining 75 percent in the western zones—taking all that into account, I do not see how it adds up.

Mr. LOVETT. I do not know whether you are aware of the developments of this particular field. You speak of it as a State Department decision. It is not the State Department decision, Mr. Case. We are one of the team operating there. The House held hearings, and I have no doubt there were hearings before this committee where General Clay appeared and expressed his views.

Very roughly my understanding of the situation at present is this. There have been no shipments to Russia except the tag end of the war plants. They have been stopped for some time.

With respect to the shipments to the satellite participants who were, so to speak, enemies of Germany, the relationship is covered by a thing called the IARA, the reparations agreement which was signed

in the summer of 1946 in Paris and is administered by a commission seated in Brussels.

Without going into detail, because that should come from the Army who are the managers of it, at the present time there is in Germany a group of technicians sent over to see whether or not a level of industry recommended by General Clay and General Robertson for the British and agreed to by the British and this country and I think subsequently by the French, is the level which it was expected to be when the arrangement was made I believe last September.

That provides for a recovery which would take about 5 years to fill up the plant capacities presently allowed. I am not able to give you the answer in detail, but there is no question but what Germany, being signatory now to this CEEC multilateral group, will, of course, receive the most careful attention and there is a technical group over there now reviewing the whole business to make sure that we are doing the sensible thing in retaining needed plants.

Mr. CASE. Of course, the answer was given in this committee and in other committees, when the issue was up a few weeks ago, that it made sense to move this stuff from Germany into France and other western European countries so that they could build up that lag of production. But we are working at cross purposes when you have these factories already established, with skilled workers in their vicinity to operate them, in Germany, to try to move them somewhere else.

Mr. LOVETT. I cannot give you a categorical answer to that, but I can give you a fair example. The Germans actually dismantled and took out of Holland the plant, the precise name of which I have forgotten——

Mr. CASE (interposing). If we are going to take individual instances, to be sure, that is true; the Germans looted a lot of the countries.

Mr. LOVETT. That type of thing clearly must be restored.

Mr. CASE. The question at issue has not been one of restoring those that were stolen. It was such things as taking the rayon plant which was the most modern rayon plant in all Europe and moving that, a type of plant which had never been in some other country, or taking the ball-bearing plants and breaking them down and distributing them among other nations.

Even if we were to assume that that is part of the War Department policy rather than the State Department policy, although the Army said that they got their instructions from the State Department, the State Department did have something to do with negotiating the Italian treaty which promises $100,000,000 of reparations to Russia, did it not?

Mr. LOVETT. The State Department is the negotiating agency of the executive branch of this Government. What I am trying to stress is this——

Mr. CASE (interposing). Who is going to pay that $100,000,000 to Russia?

Mr. LOVETT. If you will allow me to finish this answer first, sir: The State Department is the negotiating agency for the executive branch of the Government and the deals which it negotiates are the agreed deals of the executive branches including the military services

when they have a coequal responsibility or a vital interest in the problem, which we are trying to settle.

Mr. CASE. The State Department has not in any sense disavowed the treaty which proposes to pay $100,000,000 from Italy to Russia, has it?

Mr. LOVETT. No, sir; it has not.

Mr. CASE. Where will Italy get the $100,000,000?

Mr. LOVETT. She will have to get it out of her exports.

Mr. CASE. And we are going to help her build up those exports, are we not?

Mr. LOVETT. Our recovery program is certainly designed to increase her ability to build up her economy.

I think that covers the two main questions.

Mr. CASE. And makes it clear that the United States is to provide the $100,000,000 for paying the Italian reparations to Russia.

PERSONNEL WHO HELPED PREPARE THE PROGRAM

The CHAIRMAN. I have a few questions I would like to ask with reference to the personnel of that group who prepared this program. The first question relates to Faith M. Williams. Her name appears on page 106 of the hearings before the Senate Committee on Foreign Relations. I wonder what part she had in the preparation of this program.

Mr. LOVETT. Of what department is she an employee?

The CHAIRMAN. The Labor Department.

Mr. NITZE. She had to do with the report on the utilization of manpower in Europe and the movement of people from Italy, where they are unemployed, to France and other places where they are short. That report—I do not remember the number of it—is the last report in a series of reports which were given to all the committees. It had no bearing on the figures at all.

The CHAIRMAN. It did on policy?

Mr. NITZE. They evaluated it. Freeing barriers to the movement of people within Europe was one of the commitments which the 16 countries took to each other and that committee worked on that problem, to see what they were doing.

Mr. KEEFE. May I inquire, what was the name of that woman?

The CHAIRMAN. Faith M. Williams.

Mr. KEEFE. And she was assigned from the Labor Department?

The CHAIRMAN. Yes. She is on the roll as a labor economist, or is supposed to be a labor economist, P–7.

Mr. KEEFE. And assigned to whom by the Labor Department?

The CHAIRMAN. She was assigned to the group that prepared this program.

Mr. NITZE. She was not assigned to any other department. This was a committee which was primarily in the labor field and the Department of Labor was asked to nominate a chairman for it.

Mr. LOVETT. She was an alternate, according to this.

The CHAIRMAN. I understand that.

Mr. KEEFE. She served in this country?

Mr. NITZE. She served in this country on this working group.

The CHAIRMAN. The next one I want to ask about is John M. Cassels of the Department of Commerce. His name appears on the

same page. Do you know anything about what part he had in the operation of this group?

Mr. NITZE. As I remember it, he was an alternate on the Correlation Committee and he attended several of our meetings and contributed to the discussions and to the determination of policy. He was from the Commerce Department, as an alternate to their representative.

The CHAIRMAN. Was he quite active in their recommendations?

Mr. NITZE. He was not very active; he was an alternate. He appeared at certain of the meetings when the member of the Department of Commerce could not appear. As I remember it, he is Chief of the United Kingdom Section.

The CHAIRMAN. He is supposed to be Chief of the British Commonwealth Section.

Mr. NITZE. That is correct, in the Department of Commerce.

The CHAIRMAN. There is a Lewis Bassie, from the Department of Commerce.

Mr. NITZE. As I remember it, he is an adviser to Mr. Harriman, particularly on food problems.

Mr. CAWLEY. That is correct.

The CHAIRMAN. He is more of a personnel man than a food man, is he not?

Mr. NITZE. I have only seen him on food matters.

The CHAIRMAN. Is it true that he has been very active in bringing extreme radicals into the Government?

Mr. NITZE. Not to my knowledge, sir.

Mr. LOVETT. We would have no knowledge of that, Mr. Chairman.

Mr. NITZE. He made very great contributions I think on food matters which were the only ones in connection with which I have seen him.

The CHAIRMAN. The next one I have is David Lasser. What was his part in this program?

Mr. NITZE. I was never aware of the fact that he was in it. I never ran into him at all.

Mr. LOVETT. I never heard of him; no, sir.

Mr. NITZE. I believe he is in the Department of Commerce, is he not?

The CHAIRMAN. He is in the Department of Commerce according to this volume.

Mr. LOVETT. As an alternate on the Manpower Committee. We have no information on him at all. I do not know whether he contributed anything or not.

Mr. NITZE. I did not know that he had anything to do with it until I read that book.

The CHAIRMAN. On page 110 there is the name John Lindeman, executive secretary, from the Department of State. What part did he have in this operation?

Mr. NITZE. He was secretary of that committee and played a very active part in the committee.

The CHAIRMAN. He is one of those the State Department took over from the OPA.

Mr. NITZE. I was not aware of that.

The CHAIRMAN. Then he was with UNRRA.

Mr. NITZE. He has done very good work.

The CHAIRMAN. And his surveys involved, according to this, on-the-spot investigations in Austria, Yugoslavia, and Greece.

This gentleman is supposed to be antibusiness, considering his record in the OPA; I would not know beyond that.

Mr. NITZE. I have never seen any indication of it in his work in connection with this.

The CHAIRMAN. The next is Katherine Jacobson. She is under the Italian set-up, according to this.

Mr. LOVETT. She was representing the Department of Commerce.

The CHAIRMAN. What part did she play in this?

Mr. NITZE. I believe she represented the Department of Commerce on that interdepartmental committee.

Mr. LOVETT. That Committee was made up of a representative of the Federal Reserve Board, a representative of the Treasury Department, a representative of Commerce, and a representative of the State Department.

The CHAIRMAN. Did she play a considerable part in this set-up?

Mr. NITZE. Mr. Dowling, who was the chairman of the committee and who is at the Italian desk in the State Department, is thoroughly familiar with all the Italian matters.

Mr. LOVETT. Yes. He is very expert; he is one of the able foreign officers; and I should doubt, Mr. Chairman, whether anyone who did not have the most intimate knowledge of Italy could have contributed a great deal in the present confused situation there. I do not know her particular contribution or whether she was merely there as liaison.

The CHAIRMAN. There was an executive committee on economic foreign policy, and a Miriam Camp, who was a protégée of Mrs. Gardner Means on that committee.

Mr. LOVETT. What was the name of the committee?

The CHAIRMAN. Executive Committee on Economic Foreign Policy. She was from the Department of State.

Mr. NITZE. That committee worked on the question of the relationship of this program to the United Nations. She has been working largely on United Nations matters. I think the bill provides that certain types of reports ought to be made to the United Nations and certain other provisions which affect the United Nations on which the original recommendations were developed by that committee.

The CHAIRMAN. What part did she have in that?

Mr. LOVETT. Well, I would judge that it would be a minor one, Mr. Chairman. I do not know of my own personal knowledge, because Stinebower, of the Department of State, is the deputy on the United Nations Economic Committee. So that I should imagine that he would represent the Department's point of view, and I would expect that her part would be minor.

Mr. NITZE. The recommendations of these various committees were in turn reviewed by succeeding committees in the echelon, resulting finally in the recommendation which was made to the Congress.

The CHAIRMAN. I believe that is all I have at the moment.

REASON FOR INCLUDING ICELAND, IRELAND, PORTUGAL, SWITZERLAND, AND SWEDEN IN PROGRAM

Mr. WIGGLESWORTH. This question might more properly come up later, but just in a general way there have been questions asked as to why Iceland and Ireland, Portugal, Switzerland, and Sweden, none of which suffered any direct war damage, are included for expenditure under the over-all program. I do not know whether you care to make any general statement in that connection at this time or not, Mr. Lovett.

Mr. LOVETT. I would like to have Mr. Nitze answer that in some detail, but, generally speaking, what we are dealing with really is western Europe, and we wanted to include all the countries that could help. You remember, originally we anticipated having far more countries included, and as the result of Russia boycotting, her refusal to let Finland and Czechoslovakia join, the 16 nations and western Germany became the participating nations. The purpose is to deal with the problem as a whole, and to deal with it on the basis of mutual aid and self-help, with a European exchange of commodities or finished products in an area which is in one sense indivisible, and we therefore included those countries that could help as well as the countries that needed help.

In the case of Switzerland, that is particularly apparent, because actually Switzerland, as the result of her present favorable circumstance, would, we expect, with the balance of payments in her favor—and my recollection of the figure, and I will correct the amount if I am wrong—have $125,000,000 on the right side. We expect that practically all of that will be loaned out to the other countries.

Mr. WIGGLESWORTH. I note that Switzerland is down here for 445.4 million dollars, which apparently is to come out of some financing from the ECA funds.

Mr. LOVETT. That is trade. The figures which we give here, which we attempt to give here, is for the whole European economy, and, in the case of Switzerland, her ability to provide her own funds gives her export-import merchandise balance which ultimately she can use; and that leaves here something like $125,000,000 which we hope and expect she would employ for the help, through extending loans or otherwise, of her neighbors.

Mr. WIGGLESWORTH. Why does she need $445,000,000?

Mr. NITZE. Column 2 indicates those countries which it is expected will pay out of their own earnings.

Now, in the case of Switzerland, she has to buy $445,000,000 worth of trade. Now, you can see that is carried out in the amount shown in the second column; it is indicated that she will pay for her imports entirely out of her resources, export earnings.

Mr. WIGGLESWORTH. That is, imports from all countries?

Mr. NITZE. No; imports only from the Western Hemisphere—just from the Western Hemisphere.

Mr. WIGGLESWORTH. Strictly speaking, neither Switzerland nor Portugal will get any aid?

Mr. NITZE. You will find that space blank, Mr. Wigglesworth.

Mr. WIGGLESWORTH. On the other hand, Ireland and Iceland each of them are to get certain funds through the ECA program?

Mr. NITZE. That is correct, because they do not have sufficient resources from their own exports or from other sources of financing from the Western Hemisphere loans to pay the entire amount of imports, and therefore it is necessary, if this program is to be carried out, for that gap to be met.

Mr. LOVETT. May I try to explain for the record, Mr. Wigglesworth. One of the complexities here, which I think you recognize, is this: We have given you here a condensation of a tremendous amount of documentation. We had to go into every country and figure out what its imports were, what its exports were, and where they came from, and what the net result of the year's operation would be.

Then we had to see, in each instance, what portion of the trade it did was with western Europe and what was outside. And then we had to attempt to make up the budget for this committee, plus making up the estimates and figuring up our own exports and imports. We had to do that in all of these cases.

Then we had to pull them all together and summarize them in these very brief tables, and, as Mr. Nitze has just indicated, we had to deal with all of them through some standard accounting in order to get them run through the machine. The fact that they are listed does not mean necessarily that they are to get anything; that they will get a loan or that they will get a grant or a mixture of both. It is merely an attempt to get a complete picture of the participating countries and of their relevant status as to their export-import, invisible items, and so forth.

Now, Mr. Nitze, I do not believe the second portion of Mr. Wigglesworth's question has been answered in respect to Ireland. That situation is covered in the justifications in the part shown on page G–28.

Mr. WIGGLESWORTH. I do not care to get into too much detail, but I did want to get just a general picture of it.

Mr. LOVETT. I can give you a general answer without going into the details.

Ireland's economy is integrated directly with the British economy. As I recall, it has about 90 percent of her exports to the sterling area; and, because of this area's tremendous dollar shortage for the liquidation of trade balances, Ireland, if she were unable to procure dollars, would find it impossible to obtain in this country those elements, those items which she needs in order to continue and expand her trade with the sterling areas. That is given in considerable detail in these other brown books, which perhaps you do not wish to get into at this time. Basically the problem is that she is so closely knit with the British that if we do not deal with Ireland as a separate entity we would merely be faced with the British having an increased British dollar shortage, and we would prefer to deal with Ireland, because it makes it possible to reduce the grants rather than having her embraced in toto in the United Kingdom.

The CHAIRMAN. This table does not seem to be very clear. I had not intended to take this up now, but does the loans and credits mean loans and grants; or what does that mean? Credits would naturally be on the large table?

Mr. NITZE. I think maybe the thing is not completely clear. But what it includes is the finances from other sources than from this appropriation, which could be used to help the deficit of trade balances of these various countries.

For instance, it includes $700,000,000 of anticipated assistance from the Western Hemisphere countries—Canada, Argentina, and the other countries of the Western Hemisphere.

It includes, for example, the sale of railroads in Argentina to relieve the financing of ECA for the United Kingdom.

It also includes $500,000,000 with respect to the International Bank loans, the draw-down of export and import loans now outstanding.

It includes items in respect to anticipated private investment in Europe, outside of this program entirely.

It includes $822,000,000 with respect to the Government's relief in occupied areas, appropriated to the Army, with respect to western Germany.

It includes approximately $125,000,000, which it is anticipated Switzerland might lend in dollar credits to other countries.

It certainly would be improper to ask this committee to appropriate funds to cover items which can be met from other sources, it is hoped; and so this column 1 covers some $2,156,000,000 which is deducted from the deficit required to be financed by this program.

USE OF LOCAL CURRENCY FUNDS

Mr. CASE. Mr. Secretary, are any resources available now, or local currency funds, obtained through the operation of the interim aid program?

Mr. LOVETT. Yes. We have a statement here on that.

Mr. CASE. Is it contemplated that the local currency fund idea will be continued in the operation of this program?

Mr. LOVETT. Yes. We have a statement showing funds expended by classifications, and the details are set up in such a way that we can give the information to you in any degree you may wish. This is under Public Law 84. I assume that the Administrator would want similar forms for his account.

Mr. CASE. Obviously the time of day is such that we cannot go into this in too much detail, and I was wondering if you have tables which could be put in the record or furnished to the committee.

(The following information was submitted later:)

Status local currency proceeds Public Law 84 as of Apr. 9, 1948

AUSTRIA

		Millions of schillings
1. Status of entire program:		
	(*a*) Estimated total proceeds	489
	(*b*) Deposits as of Apr. 9, 1948	306
	(*c*) Deposits to be made after Apr. 9, 1948	183
2. Status of amounts due:		
	(*a*) Amount due Apr. 9, 1948	484
	(*b*) Deposits as of Apr. 9, 1948	306
	(*c*) Amount due over 30 days	115
	(*d*) Amount due under 30 days	63
	(*e*) Total due Apr. 9, 1948	484

Status local currency proceeds Public Law 84 as of Apr. 9, 1948—Continued

AUSTRIA—continued

		Millions of schillings
3. Status of encumbrances and expenditures:		
(*a*) Deposits as of Apr. 9, 1948		306
(*b*) Expenditures for projects	15.000	
(*c*) Expenditures for mission administrative expenses	.196	
(*d*) Expenditures for publicity expenses by mission	1.000	
(*e*) Balance frozen	289.804	
		306

4. The Austrian Government promised the United States relief mission that 60 million schillings would be deposited during the week ending Apr. 16.

5. Deposits are made in the name of the Austrian Government in an account called Americahilfe—1947, State Department, USFAF No. 1690 in the Creditanstalt Bankverein. Withdrawals can be made only on approval of United States representatives in Austria.

6. The total estimated proceeds of 489 million schillings, less mission expenses of 1.2 million and less 15 million for feeding aged indigent, or a net of 472.8 schillings will be frozen and probably withdrawn from criculation.

7. Under an Austrian currency law passed December 10, 1947, one-fourth of the special account of Public Law 84 proceeds was canceled, one-fourth frozen for 1 year, and one-half exchanged for new currency. The 489 million schillings shown above are net of the canceled amount of 61 million schillings, and includes 61 million schillings frozen until December 10, 1948.

GREECE

			Billions of drachman
1. Status of entire program:			
(*a*) Estimated total proceeds			185.0
(*b*) Deposits as of Apr. 9, 1948			133.0
(*c*) Deposits to be made after Apr. 9, 1948			52.0
2. Status of amounts due:			
(*a*) Amount due Apr. 9, 1948			175.9
(*b*) Deposits as of Apr. 9, 1948			133.0
(*c*) Amount due and undeposited as of Apr. 9, 1948			42.9
(*d*) Deposit requested Apr. 6, 1948	35.0		
(*e*) Request still to be made	7.9		
			42.9
(*f*) Amount due to end of program			9.1
(*g*) Total undeposited to end of program			52.0
3. Encumbrances and expenditures:			
(*a*) Amount deposited Apr. 9, 1948			133.0
(*b*) Expenditure for refugee relief through Apr. 9, 1948	83.72		
(*c*) Expenditure for mission administrative expenses	.50		
(*d*) Encumbrances for refugee relief through Apr. 9, 1948	48.78		
			133.0

4. Deposits made in Bank of Greece into account entitled "Greek State—Relief Drachma Fund." Withdrawals authorized by head of United States relief mission.

5. Complete settlement for all Public Law 84 supplies anticipated by Apr. 30, 1948, on assumption that all supplies will be received by Greek Government by Mar. 31, 1948.

6. Deposts from entire program, amounting to 185 billion drachma to be utilized for the care of refugees caused by guerrilla warfare.

Status local currency proceeds Public Law 84 as of Apr. 9, 1948—Continued

ITALY

		Billions of lira
1. Status of entire program:		
(*a*) Estimated total proceeds		41.00
(*b*) Deposits as of Apr. 9, 1948		30.86
(*c*) Deposits to be made after Apr. 9, 1948		10.14
2. Status of amount due:		
(*a*) Amount due Apr. 9, 1948		39.69
(*b*) Deposits as of Apr. 9, 1948		30.86
(*c*) Amount due over 30 days	5.41	
(*d*) Amount due under 30 days	3.42	
(*e*) Amount due and undeposited as of Apr. 9, 1948		8.83
(*f*) Amount due to end of program		1.31
(*g*) Total undeposited to end of program		10.14
3. Status of encumbrances and expenditures:		
(*a*) Amount deposited as of Apr. 9, 1948		30.86
(*b*) Advance encumbrances		4.14
(*c*) Available for advance encumbrances		35.00
(*d*) Expenditures for projects Apr. 9	6.310	
(*e*) Encumbrances for projects Apr. 9	28.490	
(*f*) Encumbrances for mission administrative expenses	.035	
(*g*) Encumbrances for publicity expenses by mission	.165	
		35.00

4. Funds deposited in Bank of Italy in name of "Italian Government—AUSA, Account 1041."
5. Total deposits to be made 30 days after arrival last cargo.

TRIESTE

		Billions of lire
1. Entire program status:		
(*a*) Estimated total proceeds		2,000
(*b*) Total deposits as of Apr. 9, 1948		1,835
(*c*) Deposits to be made after Apr. 9, 1948		165
2. Status amount due:		
(*a*) Amount due Apr. 9, 1948		1,553
(*b*) Advance made by AMG for future arriavls		282
(*c*) Amount deposited		1,835
3. Status of encumbrances and expenditures:		
(*a*) Amount deposited		1,835
(*b*) Expenditures for relief and work relief projects	1,781	
(*c*) Expenditures for mission administrative expenses	10	
(*d*) Encumbrances for relief and work-relief projects	44	
		1,835

4. Relief and work-relief projects in the amount of 16,000,000 lire have been approved against future deposits, making a total of 1,851,000,000 lire for project operations.
5. Deposits made in three banks:
   (*a*) Banca d'Italia.
   (*b*) Banca Commerciale.
   (*c*) Banca d'Ameica e d'Italia.

All three accounts in name of "United States Relief Fund Supplies" with chief finance officer, Allied military government (AMG) only person authorized to disburse after approval by head, United States relief mission in Trieste.

6. Entire proceeds deposited will be utilized for relief and work-relief projects and for mission administrative expenses.

CHINA

United States relief supplies in China are being distributed through a controlled ration plan which began on March 1, 1948.

Because distribution of United States supplies will not start until April 1, no sales have been reported by the China relief mission.

However, the China relief mission has reported to us the fact that emergency grants have been made for certain relief and project purposes in China with Chinese local currency which has been advanced to the Cina relief mission against the sale of United States relief supplies.

The emergency grants reported by the mission as of March 26, 1948, amounted to 900 billion CNC. They have been used for relief and work relief projects and for mission administrative expenses.

Status Local Currency Proceeds Public Law 389 as of Apr. 9, 1948

ITALY

	Millions of lira
1. Status of entire program:	
(*a*) Estimated total proceeds	100, 000
(*b*) Deposits as of Apr. 9, 1948	4, 450
(*c*) Deposits to be made after Apr. 9, 1948	95, 550
2. Status of amounts due:	
(*a*) Amount due Apr. 9, 1948	51, 764
(*b*) Deposits as of Apr. 9, 1948	4, 450
(*c*) Amount due and undeposited	47, 314

3. Reconstruction projects in the amount of 52 billion have been approved. The balance of 48 billion lire will be frozen for disposition by the ECA Administrator.

AUSTRIA

		Millions of schillings
1. Status of entire program:		
(*a*) Estimated total proceeds		650
(*b*) Deposits as of Apr. 9, 1948		208
(*c*) Deposits to be made after April 9, 1948		442
2. Status of amounts due:		
(*a*) Amount due April 9, 1948		239
(*b*) Deposits as of April 9, 1948	208	
(*c*) Amount due and undeposited	31	
(*d*) Total due April 9, 1948		239

3. Austrian Government has been authorized to deposit non-interest-bearing Treasury certificates in the special account under Public Law 389. These certificates are to be paid off by the proceeds of the sale of United States relief supplies.

4. On April 9, the Austrian Government deposited 199.5 million schillings in Treasury certificates and 8.5 million in currency.

5. The United States mission in Austria requested the Austrian Government on April 2 to deposit an additional 200 million schillings in Treasury certificates with the expectation that supplies delivered under Public Law 389 would equal the first 200 million schillings at the time the second 200 million schillings were deposited. Government has agreed to deposit additional 200 million during week of 12th.

6. Mission operating expenses as of March 30 were 14,092 schillings.

[Public Law 389]

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES AND THE GOVERNMENT OF AUSTRIA

"The Government of the United States of America and the Government of Austria,

"Considering the desire of the people of the United States of America to provide immediate assistance to the people of Austria, and

"Considering that the enactment of the Foreign Aid Act of 1947 by the United States of America (hereinafter referred to as the Act) provides the basis for such assistance to the people of Austria, have agreed as follows:

ARTICLE I

1. The Government of the United States of America will, subject to the provisions of the Act and of appropriation acts thereunder and of this Agreement, aid the people of Austria by making available such commodities (including storage, transportation, and shipping services related thereto) or by providing for the procurement thereof through credits under the control of the Government of the United States of America, to the Government of Austria or to any person, agency, or organization designated to act on behalf of the Government of Austria as may from time to time be requested by the Government of Austria and authorized by the Act and by the Government of the United States of America.

This Agreement, however, implies no present or future obligation upon the Government of the United States of America to give assistance to the people of Austria, nor does it imply or guarantee the availability of any specific commodities or categories of commodities, nor shall it imply the payment by the Government of the United States of America for any storage, transportation, handling or shipping services within Austria.

2. All commodities made available pursuant to this Agreement will be procured in the United States of America unless permitted to be procured elsewhere under the provisions of Section 4 of the Act and unless otherwise expressly agreed between the two Governments.

3. The Government of the United States of America retains the right of possession of any commodities made available pursuant to this Agreement, until, in the opinion of the United States High Commissioner for Austria or other designated officials of the Government of the United States of America, such commodities should be released for distribution.

ARTICLE II

1. The Government of Austria, having been fully informed as to the provisions of the Act hereby affirms that it accepts and will perform the undertakings specified in Section 5 thereof, as well as those provided for in Section 7 of the Act insofar as action by it may be required for implementation of such latter Section.

2. The undertaking of the Government of Austria pursuant to paragraph 1 of this Article, to permit duly authorized representatives of the Government of the United States of America, including Congressional committees, to observe, advise and report on the distribution among the people of Austria of the commodities made available pursuant to this Agreement, and also to permit representatives of the press and radio of the United States of America to observe and report on the distribution and utilization of the commodities made available pursuant to this Agreement and on the utilization of the special account provided for in the Annex to this Agreement, shall not be applicable so long as the Government of the United States of America determines that commodities made available to the Government of Austria pursuant to this Agreement will be distributed under control systems embodied in the agreements between the United States High Commissioner for Austria and the other occupying authorities or the Government of Austria which assure compliance with the objectives of the occupation and with the purposes of the Act.

ARTICLE III

1. The Government of the United States of America, pursuant to the requirements of Section 6 of the Act, reserves the right at any time to terminate its aid provided for under Article I, paragraph 1, of this Agreement.

2. This Agreement, together with the Annex attached thereto, shall take effect *to* the date of its signature and shall apply to all commodities made available to the Government of Austria under the Act. It shall remain in effect until December 31, 1948, or such earlier date as may be agreed by the two Governments.

In witness whereof, the undersigned, being duly authorized by their respective Governments for that purpose have affixed their respective signatures to this Agreement.

Done at Vienna, in the English and German languages, this 2d day of January, 1948.

For the Government of the United States of America:

ANNEX

SECTION I

1. In the case of any commodity made available pursuant to this Agreement or in the case of credits established under the Act being debited pursuant thereto in respect of the furnishing of any such commodity, the Government of Austria will, forthwith upon notification by the Government of the United States of America, deposit in a special account in the Austrian National Bank in the name of the Government of Austria, an amount in Austrian currency equivalent to the dollar amount stated in the notification. The amount so stated will be either the dollar cost in respect of such commodity (including storage, transportation, and shipping services related thereto) which is indicated as chargeable to appropriations under the Act, or the amount of the debit, as the case may be. The amount deposited in Austrian currency will be computed at the most favorable rate of exchange in terms of United States dollars which is lawfully available in Austria to any legal personality and is then applicable to imports of any commodity into Austria.

2. The funds in such special account, or prior advances in agreed amounts, will be used for administrative expenses of the Government of the United States of America, in Austrian currency, incident to its operations within Austria under this Agreement. The remainder of such funds may be used for the following additional purposes:

(a) For effective retirement of the national debt of Austria or for irrevocable withdrawal of currency from circulation, and,

(b) For such other purposes, including measures to promote the stabilization of Austrian currency, as may hereafter be mutually agreed by the two Governments.

Any unencumbered balance remaining in such account on June 30, 1948, will be disposed of within Austria for such purposes as may hereafter be agreed between the two Governments, it being understood that the agreement of the United States of America is subject to approval by act or joint resolution of the Congress.

4. The provisions of this section shall remain in effect until superseded by a further agreement by the two Governments.

SECTION II

Any commodities made available under this Agreement by the Government of the United States of America, unless substantially altered from the form in which furnished and substantially identical commodities within Austria from whatever source procured, will not be removed or permitted to be removed from the territory of the Government of Austria, unless it is agreed between the two Governments that such commodities are no longer needed in Austria or that the export of such commodities would yield a commensurate benefit, not inconsistent with the purposes of the Act as set forth in Section II thereof, to the economy of Austria, or unless otherwise expressly agreed between the two Governments.

SECTION III

The Government of Austria will furnish such statements and information relating to operations under this Agreement as may from time to time be requested by the Government of the United States of America.

[Public Law 389]

AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND ITALY

The GOVERNMENT OF THE UNITED STATES OF AMERICA and the GOVERNMENT OF ITALY,

Considering the desire of the people of the United States of America to provide immediate assistance to the people of Italy, and

Considering that the enactment by the United States of America of the Foreign Aid Act of 1947 (hereinafter referred to as the Act) provides the basis of such assistance to the people of Italy, have agreed as follows:

ARTICLE I

1. The Government of the United States of America will, subject to the provisions of the Act and of appropriation acts thereunder and of this Agreement, aid the people of Italy by making available such commodities (including storage, transportation, and shipping services related thereto) or by providing for the procurement thereof through credits under the control of the Government of the United States of America, to the Government of Italy or to any person, agency, or organization designated to act on behalf of the Government of Italy, as may from time to time be requested by the Government of Italy and authorized by the Act and by the Government of the United States of America. This Agreement, however, implies no present or future obligation upon the Government of the United States of America to give assistance to the people of Italy, nor does it imply or guarantee the availability of any specific commodities or categories of commodities, nor shall it imply the payment by the Government of the United States of America for any storage, transportation, handling, or shipping services within Italy.

2. All commodities made available pursuant to this Agreement will be procured in the United States of America, unless permitted to be procured elsewhere under the provisions of Section 4 of the Act and unless otherwise expressly agreed between the two Governments. Petroleum and petroleum products will, to the maximum extent practicable, be procured from sources outside of the United States of America and will be transported to Italy by the most economical route from the source of supply.

ARTICLE II

The Government of Italy, having been fully informed as to the provisions of the Act, hereby affirms that it accepts and will perform the undertakings specified in Section 5 thereof, as well as those provided for in Section 7 of the Act insofar as action by it may be required for implementation of such latter Section.

ARTICLE III

1. The Government of the United States of America, pursuant to the requirements of Section 6 of the Act, reserves the right at any time to terminate its aid provided under Article I, paragraph 1, of this Agreement.

2. This Agreement, together with the Annex attached thereto, shall take effect on the date of its signature and shall apply to all commodities made available to the Government of Italy under the Act. It shall remain in effect until December 31, 1948, or such earlier date as may be agreed by the two Governments.

In witness whereof, the undersigned, being duly authorized by their respective Governments for that purpose, have affixed their respective signatures to this Agreement.

DONE at Rome, in duplicate, in the English and Italian languages, this Third day of January 1948.

For the Government of the United States of America

For the Italian Government

Annex

SECTION I

1. In the case of any commodity made available pursuant to this Agreement or in the case of credits established under the Act being debited pursuant thereto in respect to the furnishing of any such commodity, the Government of Italy will, forthwith upon notification by the Government of the United States of America, deposit in a special account in the Bank of Italy in the name of the Government of Italy, an amount in Italian currency equivalent to the dollar amount stated in the notification. The amount so stated will be either the dollar cost in respect to such commodity (including storage, transportation, and shipping services related thereto) which is indicated as chargeable to appropriations under the Act, or the amount of the debit, as the case may be. The amount deposited in Italian currency will be computed at the most favorable rate of exchange in terms of United States dollars, authorized under the Articles of Agreement of the International Monetary Fund, then applicable to imports of any commodity into Italy.

2. The funds in such special account, or prior advances in agreed amounts, will be used for administrative expenses of the Government of the United States of America, in Italian currency, incident to its operations within Italy under this Agreement. The remainder of such funds may be used for the following additional purposes:

(*a*) for effective retirement of the national debt of Italy or for irrevocable withdrawal of currency from circulation, and

(*b*) for such other purposes, including measures to promote the stabilization of Italian currency, as may hereafter be mutually agreed by the two Governments.

2. Any unencumbered balance remaining in such account on June 30, 1948, will be disposed of within Italy for such purposes as may hereafter be agreed between the two Governments, it being understood that the agreement of the United States of America is subject to approval by Act or Joint Resolution of the Congress.

4. The provisions of this Section shall remain in effect until superseded by a further Agreement between the two Governments.

SECTION II

Any commodities made available under this Agreement by the Government of the United States of America, unless substantially altered from the form in which furnished, and substantially identical commodities within Italy from whatever source procured, will not be removed or permitted to be removed from the territory of the Government of Italy, unless it is agreed between the two Governments that such commodities are no longer needed in Italy or that the export of such commodities would yield a commensurate benefit, not inconsistent with the purposes of the Act as set forth in Section 2 thereof, to the economy of Italy, or unless otherwise expressly agreed between the two Governments.

SECTION III

The Government of Italy will furnish such statements and information relating to operations under this Agreement as may from time to time be requested by the Government of the United States of America.

[Public Law 389]

Agreement Between the Government of the United States of America and the Government of France

The Government of the United States of America and the Government of the French Republic, considering the desire of the people of the United States of America to provide immediate assistance to the people of France and considering that the enactment by the United States of America of the Foreign Aid Act of 1947 (hereinafter referred to as the Act) provides the basis of assistance by the United States of America to the people of France, have agreed as follows:

ARTICLE I

1. The Government of the United States of America will, subject to the provisions of the Act and of appropriation acts thereunder and of this agreement, aid the people of France by making available such commodities (including storage, transportation, and shipping services related thereto) or by providing for the procurement thereof through credits under the control of the Government of the United States of America, to the Government of the French Republic or to any person, agency, or organization designated to act on behalf of the Government of the French Republic, as may from time to time be requested by the Government of the French Republic and authorized by the Act and by the Government of the United States of America. This agreement, however, implies no present or future obligation upon the Government of the United States of America to give assistance to the people of France, nor does it imply or guarantee the availability of any specific commodities or categories of commodities, nor shall it imply the payment by the Government of the United States of America for any storage, transportation, handling or shipping services within France.

2. All commodities made available pursuant to this agreement will be procured in the United States of America, unless permitted to be procured elsewhere under the provisions of Section 4 of the Act and unless otherwise expressly agreed between

the two governments. Petroleum and petroleum products will, to the maximum extent practicable, be procured from sources outside the United States of America and will be transported to France by the most economical route from the source of supply.

ARTICLE II.

The Government of the French Republic, having been fully informed as to the provisions of the Act, hereby affirms that it accepts and will perform the undertakings specified in Section 5 of the Act, as well as those provided for in Section 7 of the Act insofar as action by it may be required for implementation of such latter section.

ARTICLE III.

1. The Government of the United States of America, pursuant to the requirements of Section 6 of the Act, reserves the right at any time to terminate its aid provided for under Article I, Paragraph 1, of this agreement.

2. This agreement, together with the annex attached thereto, shall take effect on the date of its signature and shall apply to all commodities made available to the Government of the French Republic under the Act. It shall remain in effect until December 31, 1948, or such earlier date as may be agreed by the two governments.

In witness thereof, the undersigned, being duly authorized by their respective governments for that purpose, have affixed their respective signatures to this agreement.

Done at Paris, in the English and French languages, this second day of January, 1948.

For the Government of the United States of America:

For the Government of the French Republic:

ANNEX

SECTION I

1. In the case of any commodity made available pursuant to this agreement or in the case of credits established under the Act being debited pursuant thereto in respect of the furnishing of any such commodity, the Government of the French Republic will, forthwith upon notification by the Government of the United States of America, deposit in a special account in the Banque de France in the name of the Crédit National an amount in French currency equivalent to the dollar amount stated in the notification. The amount so stated will be either the dollar cost in respect of such commodity (including storage, transportation, and shipping services related thereto) which is indicated as chargeable to appropriations under the Act, or the amount of the debit, as the case may be. The amount deposited in French currency will be computed at the rate of exchange in terms of United States dollars authorized under the Articles of Agreement of the International Monetary Fund, then applicable to imports of such commodity into France.

2. The funds in such special account, or prior advances in agreed amounts, will be used for administrative expenses of the Government of the United States of America, in French currency, incident to its operations within France under this agreement. The remainder of such funds may be used for the following additional purposes: (A) for effective retirement of the national debt of France or for irrevocable withdrawal of currency from circulation, and (B) for such other purposes, including measures to promote the stabilization of French currency, as may hereafter be mutually agreed by the two governments.

3. Any unencumbered balance remaining in such account on June 30, 1948, will be disposed of within France for such purposes as may hereafter be agreed between the two governments, it being understood that the agreement of the United States of America is subject to approval by act or joint resolution of the Congress.

4. The provisions of this section shall remain in effect until superseded by a further agreement between the two Governments.

Section II.

Any commodities made available under this agreement by the Government of the United States of America, unless substantially altered from the form in which

furnished, and substantially identical commodities within France from whatever source procured, will not be removed or permitted to be removed from the territory of the Government of the French Republic, unless it is agreed between the two Governments that such commodities are no longer needed in France or that the export of such commodities would yield a commensurate benefit, not inconsistent with purposes of the Act as set forth in Section 2 thereof, to the economy of France, or unless otherwise expressly agreed between the two Governments.

Section III.

The Government of the French Republic will furnish such statements and information relating to operations under this agreement as may from time to time be requested by the Government of the United States of America.

USE OF BRITISH LOANS FOR LIQUIDATION OF NATIONALIZED INDUSTRIES IN ENGLAND

Mr. CASE. Do you have any figures which would show to what extent the British used the receipts under the British loan for the liquidation of the industries which were nationalized in England?

Mr. NITZE. Yes; we do have some data.

This information was furnished to the Foreign Affairs Committee of the House or the Senate—and I do not recall at the moment which—but it shows the expenditure of the British loans.

Mr. LOVETT. We can provide that information for you, Mr. Case.

Mr. CASE. I would like to know. Is it possible to determine whether or not some of the dollars which were provided to England were used to pay off United States security holders of the nationalized industries?

Mr. LOVETT. None, used for that.

Mr. CASE. None directly?

Mr. LOVETT. No.

Mr. NITZE. And I do not believe any was used indirectly.

The only thing we could do is to take the data on expenditures, which Britain has made in this country, in respect to the funds she had to expend, and from that data find out how the loans were used.

Mr. LOVETT. And we have statements, of course, from them.

The CHAIRMAN. Do you have break-down showing what they used the funds for, which they received from the sale of food?

Mr. NITZE. No; I do not think we have such a statement here.

The CHAIRMAN. You cannot tell really whether it was used for that purpose or not?

Mr. NITZE. No——

Mr. LOVETT. Just a minute; let us make sure that we are on all fours here. The thing you are inquiring is the amount received through loans.

The CHAIRMAN. Yes.

Mr. LOVETT. They expended those dollars for various purposes, including food.

Mr. CASE. Yes. Of course, the chairman's question would apply also the earlier field covered in my question.

Mr. LOVETT. We have had no loans——

Mr. CASE. Insofar as France and Italy are concerned?

Mr. LOVETT. Oh, yes.

Mr. CASE. That is covered elsewhere?

Mr. LOVETT. That is all covered under the bilateral agreements. We can furnish that information to the committee.

WEDNESDAY, APRIL 21, 1948.

STATEMENT OF TOTAL AUSTRIAN IMPORTS, DOMESTIC PRODUCTION, AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

The CHAIRMAN. We will take up first the items for Austria, and I think we had better insert in the record pages one and two of the statement giving the estimates of total imports, domestic production and available supply in physical quantities.

(The statements follow:)

AUSTRIA

Estimates of total imports, domestic production and available supply in physical quantities

[Prewar, 1946–47, 1947–48, and 1948–49]

Code	Commodity	Unit	ECA shipments financed (Apr. 1, 1948–Mar. 31, 1949)	1948–49			Prewar			1946–47			1947–48		
				Total imports	Domestic production	Available supply	Total imports	Domestic production	Available supply	Total imports	Domestic production	Available supply	Total imports	Domestic production	Available supply
01	Bread grains	1,000 metric tons					342	979	1,321	326	580	906	570	553	1,123
02	Coarse grains	do					456	893	1,349	131	478	609	50	493	543
	Total grains	do	568.1	610	1,406	2,016	798	1,872	2,670	457	1,058	1,515	620	1,046	1,666
03	Fats and oils	do	25.1	64	42	106	52	63	115	25	35	60	40	38	78
04	Oilcake and meal	do	11.5	25	2	27	51	2	52	4	1	5	18	1	19
05	Sugar	do	62.8	69	92	161	2	177	179	14	29	43	62.4	38.6	1010
06	Meat	do	31.6	48	155	203	6	280	286	36	136	172	10	181	191
07	Dairy products:														
	Cheese	do			8	8	1	31	29		8	8		8	8
	Canned milk	do								1		1	1		1
	Dried milk	do								.5		.5	1		1
08	Eggs (shell equivalent)	do			14	14	5.1	36.4	41.5	3.0	12.1	15.1		13.2	13.2
09	Dried fruits	do	5.1	15		15	21		21	2		2			
10	Rice	do		5		5	31		31				2		2
11	Coffee	do	3.0	3		3	5		5						
12	Other foods:														
	Pulses	do	50.0	71	3	74	4	11	15	20.5	6.0	26.5	45	3.9	48.9
	Fresh fruit	do		40	675	715	92	425	517	2	800	802	30	500	530
	Cocoa	do		4		4	6		6	3		3	4		4
	Tea	do					0.4		0.4						
	Fresh vegetables	do													
	Total foods	do													
13	Tobacco	do	3.8	8		8	8		8	1.6	0.2	1.8	3.9	0.2	4.1
14	Cotton	do	13.9	26		26	36.3		36.3	13		13	15.2		15.2

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEEC vol. II; Tariff Commission reports.

"Available supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar—1934–38 average where available; otherwise 1935–37 or 1937–39.
1946–47—some data are calendar year 1945 or 1946.
1947–48—some data are calendar year 1946 or 1947.

ECA financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by ECA during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by ECA, it is estimated that ECA funds will be obligated before Mar. 31, 1949 to procure goods which will be shipped after that date.

Estimates of total imports, domestic production and available supply in physical quantities

[Prewar, 1946, 1947, and 1948-49]

Code	Commodity name	Unit	ECA shipments financed (Apr. 1, 1948-Mar. 31, 1949)	1948-49			Prewar			1946			1947		
				Total imports	Domestic production	Available supply	Total imports	Domestic production	Available supply	Total imports	Domestic production	Available supply	Total imports	Domestic production	Available supply
15	Nitrogen fertilizer	1,000 metric tons			48	27	6	1	7	2	6	8		25	12
16	Phosphates—soluble	do		27	3	30	6	8	14				5		5
17	Potash	do		46		46	9		9				9		9
18	Agricultural machinery:														
	Tractors	Units	120	600	1,600		200		200	3,000		3,000	3,000		3,000
	Other agricultural machinery.	Metric tons	1,135	6,300	16,250			10,900	10,900	47,300	6,700	5,400	32,100	11,500	43,600
19	Coal	1,000 metric tons		4,809	3,095	7,904	3,884	3,543	7,426	2,367	2,515	4,882	3,326	2,900	6,226
21	Petroleum products	do	27.6	80	909	989	245	101	346	542	385	927	601	385	986
22	Timber	1,000 cubic meters		80	3,373	2,939	26	4,210	2,681						
23A	Finished steel	1,000 metric tons		20	380	300	6	467	409		122	107	6	286	216
23B	Crude and semifinished steel.	do			600	584		666	655		187	187		400	392
23C	Pig iron	do			480	415	16	551	559		58	58		300	254
23D	Scrap iron	do			300	300	70	260	330		89	87	20	210	230
24	Trucks	Units	1,466	2,000	1,500	3,500	15	1,223	847	66	566	632	2		
25	Freight cars	do		500	500	1,000									
29	Copper	1,000 metric tons	12.1	13	2	15	19		17	1		1	1		1
30	Tin	Metric tons		400		400	700		650	200		200	200		200
31	Lead	1,000 metric tons			6	5	5	9	9		1	1		2	2
32	Zinc	do		5		5	9	3	10		1	1	1	2	3
33	Aluminum	do			5	5		4	1		1	1		5	1
34	Wool	do	.8	12	1	13	8.9	0.5	9.3		0.8		3.2	0.8	4
35	Wool yarn	Metric tons		500	9,500	8,200	1,400	8,600	9,200		1,700	1,700		7,000	5,700
36	Woolens and worsteds	do		50	6,000	5,050	800	6,000	6,700		1,100	1,100		3,700	3,000
37	Cotton yarn	do			21,000	16,000	2,300	32,500	20,900	100	8,200	7,800	1,000	14,000	15,000
38	Cotton cloth	do			15,000	12,286	3,200	15,700	17,400		6,000	5,700		11,000	7,000
39	Wood pulp	1,000 metric tons			175	145	4	414	232		77	72			
40	Newsprint	do			52	30		56	22		26	22			
41	Rubber	do		5		5	4		4	1		1	1		1
43	Fish	do		4		4	7	3			1		14	1	

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; CEEC vol. II; Tariff Commission reports.

"Available supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar—1934-38 average, where available; otherwise 1937 or 1938.

1946—some data are fiscal 1946.

1947—some data are fiscal 1947.

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by ECA during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by ECA, it is estimated that ECA funds will be obligated before Mar. 31, 1949 to procure goods which will be shipped after that date.

Mr. STEFAN. This statement, under ECA shipments financed, April 1, 1948, to March 31, 1949, includes the 4.3 billion dollars, and also includes the 1 billion dollars, 800 million dollars of which has already been allocated, or does it merely include, what you are requesting here, the 4.3 billion dollars?

Mr. NITZE. The figures from which this table was made up include the entire 5.3 billion dollars.

Mr. STEFAN. Also it includes the $800,000,000 that has been allocated?

The CHAIRMAN. The $800,000,000 is a part of the $1,000,000,000.

Mr. NITZE. Yes.

Mr. STEFAN. This is a part of the over-all amount here?

Mr. NITZE. Yes.

Mr. STEFAN. That is everything you have allocated?

Mr. NITZE. That is right. These sheets, however, do not cover all items.

The CHAIRMAN. What else is there?

Mr. NITZE. These sheets cover only the items for code numbers 01 to 43.

The CHAIRMAN. How are we going to tell much about it if that only covers part of the items?

Mr. NITZE. The total is given on page D–4.

Mr. STEFAN. Would it be possible to put everything on one sheet and have that inserted in the record?

Mr. NITZE. That is on page D–4 in the presentation, Mr. Stefan everything is on D–4.

The CHAIRMAN. Everything is shown on D–4?

Mr. NITZE. That is correct.

Mr. STEFAN. This sheet, D–4, gives the over-all picture of the proposed distribution of the ECA financing, by country and commodity?

Mr. NITZE. That is correct.

Mr. STEFAN. That includes the $1,000,000,000. Is that what was included in the newspaper release of yesterday?

Mr. NITZE. I believe it was.

Mr. STEFAN. Who prepared that newspaper release?

Mr. NITZE. I do not know.

Mr. WIGGLESWORTH. It was prepared by the Information Section of the State Department, was it not?

Mr. NITZE. I am not familiar with it, Mr. Wigglesworth.

Mr. CASE. Mr. Hoffman said the director of the Information Section had not yet been appointed.

Mr. NITZE. I just do not know anything about it.

Mr. CASE. Will you find out who does the ghost writing?

The CHAIRMAN. Let me see if I understand this: You say that sheet D–4 gives the whole picture of things you are going to ship?

Mr. NITZE. Column 6 on D–4.

The CHAIRMAN. Column 6.

Mr. NITZE. Totals $5,222,000,000.

The CHAIRMAN. These items do not all appear on these sheets that gives the break-down by countries?

Mr. NITZE. They appear on D–6, which gives the same information by countries.

Recapitulation by Commodity Imports and by Other Dollar Payments

The Chairman. I think we might put pages D–4 and 5 in the record, which gives the recapitualtion by commodity imports and by other dollar payments.

(The statement referred to follows:)

Proposed distribution of ECA obligations for commodity import requirements and for other dollar payments by periods

RECAPITULATION BY COMMODITY IMPORTS AND BY OTHER DOLLAR PAYMENTS

[In millions of dollars with 1 decimal]

Commodity	Apr. 1, 1948–June 30, 1949				ECA obligations	
	Total shipments from Western Hemisphere [1]	Shipments financed from sources other than ECA funds		Total (column 1 minus columns 2 and 3)	Apr. 1, 1948–June 30, 1949	Apr. 1, 1948–Mar. 31, 1949
		Dollar earnings [2]	Loans and credits [3]			
	(1)	(2)	(3)	(4)	(5)	(6)
01 Bread grains / 02 Coarse grains	2,345.8	351.8	799.7	1,194.3	1,232.1	957.2
03 Fats and oils	393.1	90.7	128.0	174.4	167.6	131.9
04 Oilcake and meal	190.7	51.1	57.0	82.6	79.2	60.2
05 Sugar	369.8	119.2	99.7	150.9	149.9	117.9
06 Meat	360.2	149.2	47.6	163.4	106.4	83.6
07 Dairy products	270.6	28.7	16.2	225.7	169.5	133.5
08 Eggs	70.1	24.8	3.3	42.0	15.0	12.0
09 Dried fruits	34.5	3.9	5.5	25.1	7.6	6.7
10 Rice	47.8	11.9		35.9	36.0	34.6
11 Coffee	118.3	44.8	16.2	57.3	35.0	26.1
12 Other foods	188.3	102.9	35.6	49.8	24.1	20.0
13 Tobacco	299.0	82.1	9.3	207.6	138.4	110.2
14 Cotton	790.0	103.3	60.7	626.0	661.1	511.3
15 Nitrogen fertilizer	42.8	6.8	12.0	24.0	24.0	20.6
16 Phosphates	3.1	1.0	1.1	1.0	1.0	1.0
17 Potash						
18 Agricultural machinery	158.0	44.7	14.2	99.1	106.0	81.5
19 Coal	327.1	44.0		283.1	305.9	245.3
20 Coal mining machinery	81.9	22.6	4.7	54.6	59.5	49.1
21 Petroleum products	599.6	133.4	23.3	442.9	484.5	379.7
22 Timber	333.4	118.6	14.3	200.5	185.4	142.2
23A Finished steel	162.5	69.5		93.0	97.0	75.5
23B Crude and semifinished steel	78.3	53.1		25.2	25.1	20.2
23C Pig iron	.3			.3	.3	.3
23D Scrap iron						
23E Rich iron ore	8.4	8.4				
24 Trucks	84.8	19.0	4.5	61.3	61.1	48.1
25 Freight cars	60.0			60.0	73.0	53.0
26 Steel equipment	48.1	11.0		37.1	35.3	28.3
27 Timber equipment	16.0			16.0	16.3	13.1
28 Electrical equipment	95.0	15.2	20.5	59.3	57.9	43.3
29 Copper	158.4	39.2		119.2	107.8	85.6
30 Tin	37.7	37.7				
31 Lead	88.5	19.3		69.2	75.5	53.5
32 Zinc	53.7	5.6		48.1	48.3	37.4
33 Aluminum	62.7	43.3		19.4	18.7	14.5
34 Wool	96.7	47.3	19.1	30.3	32.1	24.6
35 Wool yarn						
36 Woolens and worsteds						
37 Cotton yarn	4.3	.5		3.8	3.2	2.7
38 Cotton cloth	101.9	2.3		99.6	89.0	72.6
39 Wood pulp	36.0	36.0				
40 Newsprint	52.4	27.4		25.0	29.8	23.3
41 Rubber	4.2	1.4		2.8	2.8	2.1
42 Hides, skins, and leather	164.5	45.3	14.3	104.9	112.4	89.1
43 Fish	76.3	18.9		57.4	53.3	47.1
44 Chemicals	301.7	91.7	9.3	200.7	211.8	166.5
45 Machinery, n. e. s	587.5	29.5	136.4	421.6	458.0	329.4
46 Vehicles, n. e. s	251.2	52.5	70.8	127.9	107.2	88.6

See footnotes at end of table, p. 94.

Proposed distribution of ECA obligations for commodity import requirements and f other dollar payments by periods—Continued

RECAPITULATION BY COMMODITY IMPORTS AND BY OTHER DOLLAR PAY MENTS—Continued

[In millions of dollars with 1 decimal]

Commodity	Apr. 1, 1948–June 30, 1949				ECA obligations	
	Total shipments from Western Hemisphere [2]	Shipments financed from sources other than ECA funds		Total (column 1 minus columns 2 and 3)	Apr. 1, 1948–June 30, 1949	Apr. 1, 1948–Mar. 31, 1949
		Dollar earnings	Loans and credits [4]			
	(1)	(2)	(3)	(4)	(5)	(6)
47 Petroleum equipment	226.7	142.7	.4	83.6	80.8	67.4
48 Miscellaneous commodities	1,899.5	1,211.8	245.2	442.5	319.0	239.6
48A Shipments from non-Western Hemisphere sources	200.0			200.0	200.0	160.0
49 Net dollar payments	817.3	645.6	145.1	26.6	26.6	22.0
50 Price adjustment [4]	766.6	258.8	122.8	385.0	372.0	289.6
Grand total	13,565.3	4,468.5	2,136.8	6,960.0	6,702.5	5,222.0
1. Administrative and other expenses					+97.5	+78.0
2. ECA program, April 1948 through March 1949						5,300.0
3. Comparable ECA program, April 1948 through June 1949					6,800.0	
Reconciliation of 12 months' ECA program with comparable 15 months' ECA program:						
12 months' ECA program					5,300.0	
Add: Estimated 3 months' obligations (to bring to 15 months' basis, April 1949 through June 1949)					+1,500.0	
Total					6,800.0	
Reconciliation of comparable 15 months' ECA program on obligations basis with that of shipments basis:						
15 months' obligations basis					6,800.0	
Less: 15 months' administrative and other expenses					−97.5	
Total					6,702.5	
Less: Obligations for future delivery					−800.0	
Plus: Goods estimated to be in the pipe line April 1948 and fi[illegible]ed prior to that date from sources outside of EC[illegible]gram					+600.0	
Deficit [illegible] from Western Hemispheres h[illegible]ents [1] which [illegible]t be finaneed under compar[illegible] 15 mont[illegible] A program					6,502.5	
Reconciliati[illegible] estimated net deficit arising from Western I[illegible]sphere shipments [1] with comparable 15 months ECA program on shipments basis:						
Grand total of column 4, above				6,960.0		
Deficit arising from Western Hemisphere shipments [1] which might be finaneed under comparable 15 months' ECA program				6,502.5		
Estimated uncovered deficit				457.5		

[1] Ineludes shipments to bizone Germany from sourees outside Western Hemisphere financed by ECA and amounting to $200,000,000.

[2] Ineludes proceeds arising from exports to Western Hemisphere countries, net dollar earnings on invisible account, and drawings on cash reserves.

[3] In the ease of bizone Germany, ineludes the appropriation of $822,000,000 being requested by the Department of the Army for the prevention of disease and unrest.

[4] Commodity imports and exports are valued at July 1, 1947 priees. The entry on line 50 (priee adjustment) represents 7½ pereent of estimated commodity imports from the United States, 5 percent of estimated commodity imports from other Western Hemisphere, and 5 percent of estimated commodity exports to the Western Hemisphere to compensate approximately for price increases since July 1, 1947.

Mr. STEFAN. I have been endeavoring to figure out how this table breaks down the various commodity items. I wonder if, using the item of tobacco, we could not analyze this statement.

The CHAIRMAN. Yes.

Mr. STEFAN. Let me see if I understand the item of tobacco, and that will illustrate every other commodity in this table.

The total shipments in the first column from Western Hemisphere are $299,000,000 of tobacco. Is that correct?

Mr. NITZE. For the 15 months.

Mr. STEFAN. In the next column, April 1, 1948, to June 30, 1949, shipments financed from sources other than ECA funds, you show $82,100,000 as the dollar earnings for these countries which will pay for the tobacco itself. Is that correct?

Mr. NITZE. That is correct.

Mr. STEFAN. And in the third column "Loans and credits," you show $9,300,000. What is that?

Mr. NITZE. That is the estimate of the amount of tobacco which may be financed from credits from other countries.

Mr. STEFAN. From other countries but not from the United States?

Mr. NITZE. Not from ECA funds.

Mr. STEFAN. We will get to the ECA funds later. How about this; where are they going to get this money, $9,300,000 for tobacco?

Mr. NITZE. That is the amount out of the $2,136,000,000 which might be used for tobacco.

Mr. STEFAN. They get it from us, then?

Mr. NITZE. No; it includes $700,000,000——

Mr. STEFAN. Do not confuse me. Under this "Loans and credits," $9,300,000, what is that? Where do they get the loans?

Mr. NITZE. They get the loans either from other Western Hemisphere countries or the International Bank or as a draw-down on the [illegible] International Bank loan.

[illegible] STEFAN. Or as a draw-down on their own credit balances. [illegible] Well, they have that in dollar earnings in the $8[illegible],000.

Mr. NITZE. No; the dollar earnings would be those from the proceeds of exports.

Mr. WIGGLESWORTH. Would the Export-Import Bank be in that column?

Mr. NITZE. The Export-Import Bank would be in that column.

Mr. STEFAN. Under "Loans and credits" you have $9,300,000; yet for tobacco you have there $299,000,000 worth of tobacco, and you have a balance of $207,600,000 in the fourth column, "Total (column 1 minus columns 2 and 3)." Is that correct?

Mr. NITZE. That is correct.

Mr. STEFAN. That is the amount we will eventually have to pay for tobacco; is that right?

Mr. NITZE. Not quite.

Mr. STEFAN. That is our share of it, is it not?

Mr. NITZE. Not quite; because column 1 was the total estimate of requirements of those countries within the availability.

Mr. STEFAN. That is right; that is the 15 months' requirement.

Mr. NITZE. That is the 15 months' requirement. It became evident the total 15 months' requirement could not be met. That total 15 months' requirement was $457,000,000 larger than what can be me from the funds authorized under this act, and therefore the difference between the two had to be spread.

Mr. STEFAN. Now, we have a difference of $207,600,000 if the objective of $299,000,000 is reached in 15 months; is that it? That is our part of it?

Mr. NITZE. We would not have enough money to pay for it all.

Mr. STEFAN. Is that why Mr. Hoffman was quoted in the papers yesterday that he will have to get more money? And he said he did not require any more money, did he not?

The CHAIRMAN. That is what he told us.

Mr. STEFAN. Yet the papers quoted you as saying you would not have enough money.

Mr. HOFFMAN. Perhaps you can tell me, Mr. Stefan, how it is that the papers get these interviews. I do not know.

The CHAIRMAN. I do not know, either. They had me down as saying the hearings would last for weeks, which I never said.

Mr. WIGGLESWORTH. It is started by the information staff of the State Department in advance.

Mr. STEFAN. Well, I know something about the newspaper game, and I will do a little scooping myself.

Now, in the fifth column, so that we will have this as an illustration all the way down on these total shipments and obligations—in the fifth column "April 1, 1948, to June 30, 1949," ECA obligations, that is the 15 months' obligation, is it not?

Mr. NITZE. That is what we anticipated might have been the obligations.

Mr. STEFAN. That is $138,400,000?

Mr. NITZE. That is right, in the event the $6,800,000,000 had been authorized, but it was not, and the program was cut down. But in view of the fact our estimates of the requirements and shipments were based on 15 months, the only way to get down to the obligations based on 12 months is to look at what they would have been in 15 months and reduce them accordingly.

Mr. STEFAN. So the 15 months' requirement is $138,400,000?

Mr. NITZE. That is correct.

Mr. STEFAN. That is the ECA obligation. Is that shipments or obligations?

Mr. NITZE. Obligations.

Mr. STEFAN. And in column No. 6 "April 1, 1948, to March 31, 1949," that is on the 12 months' basis, is it not?

Mr. NITZE. That is correct.

Mr. STEFAN. That is $110,200,000 for tobacco?

Mr. NITZE. That is correct.

Mr. STEFAN. That is the gap between columns 4 and 5. What is that gap?

Mr. NITZE. The gap between columns 4 and 5 is the $457,000,000 uncovered deficit which will require a cut in the program and also the fact we had estimated roughly—it is very difficult to estimate—that there would be $600,000,000 entering pipe line in the program and, at the end of the program, there would have been obligations entered into for shipments not taking place during the period of $800,000,000.

Mr. STEFAN. But the actual for 15 months is $299,000,000 "Total shipments from Western Hemisphere," and we are shipping $457,000,000. Is that true?

Mr. NITZE. Obviously, these are estimates.

Mr. STEFAN. That is the objective, though, is it not?

Mr. NITZE. It is what we had originally figured were the requirements.

Mr. STEFAN. But the way you are figuring it now—are you coming before this committee and justifying these appropriations on these justifications which you present to us now?

Mr. NITZE. We are justifying it on these justifications.

Mr. STEFAN. So the objective is $299,000,000 of tobacco from the Western Hemisphere?

Mr. NITZE. This assumes there will be a cut in the program of $457,000,000 from what was originally contemplated.

Mr. CASE. During the debate on the European Recovery bill in the House, the question was asked as to the amount of tobacco in the program for the year, and, as I recall, the answer given was $250,000,000 as a round figure. Afterward I was asking one member of the Foreign Affairs Committee what the exact figure was, and he told me $264,000,000.

Can you identify that $250,000,000 or $264,000,000 with reference to the figures Mr. Stefan has just gone over?

Mr. NITZE. The $262,000,000 is for 15 months.

Mr. CASE. The $262,000,000 is for 15 months?

Mr. NITZE. That was the estimate at that time.

Mr. CASE. Now reconcile that $262,000,000 for 15 months as compared with this figure of $138,400,000 for 15 months.

Mr. PHILLIPS. That $262,000,000 would have to be reconciled with the total shipments in column No. 1, which is $299,000,000.

Mr. CASE. The $262,000,000 would be related to the $299,000,000?

Mr. PHILLIPS. That is right; rather than the ECA obligations column.

Mr. CASE. And the $262,000,000, then, would include shipments that would be financed from other sources, that is, from dollar earnings, loans, and credits?

Mr. PHILLIPS. That is right—other sources.

Mr. STEFAN. And what is true, as you explained, with regard to tobacco is true, also, of bread grains, wool, and so forth, is it not?

Mr. NITZE. That is correct.

Mr. WIGGLESWORTH. In column 5, in some instances, the amount is more than column 4. That, I take it, means a revision upward in the original estimates of the requirements; is that correct?

Mr. NITZE. No, sir.

Mr. WIGGLESWORTH. Take cotton, for instance.

Mr. NITZE. Yes.

The CHAIRMAN. It has gone up instead of down.

Mr. WIGGLESWORTH. Column 4 shows $626,000,000, and in column 5 it shows $661,000,000—an increase of $35,000,000.

Mr. NITZE. The reason for that is that it is estimated the amount of that cotton which is part of the $600,000,000 of entering pipe line is less than the amount of cotton which will be obligated for but unshipped to the end of the 15 months period.

Mr. CASE. Does that also apply to item No. 19, coal, which goes from 283.1 million dollars to 305.9 million dollars?

Mr. NITZE. That is correct.

Mr. CASE. And to bread and coarse grains which go from 1,194.3 million dollars to 1,232.1 million dollars?

Mr. NITZE. That is correct; because these countries have been very short on dollars. There is practically no income in dollars or a very small income in dollars, and it was felt when this program got under way it would be on a more orderly basis and there would be a greater lag between obligated funds and shipments.

Mr. CASE. Does that take into consideration the interim aid under the $55,000,000 appropriation?

Mr. NITZE. It does take into account the $55,000,000, although the $55,000,000 was obligated after April 1. There is a deduction of 5.3 billion dollars in your green sheets.

Mr. STEFAN. I wanted this table explained so that the Members would understand what we were talking about when they saw it. They will ask as to how much wool is going to be sent, how much cotton, how much tobacco, and they ought to have something as to the shipments and obligations.

Mr. MAHON. Do I understand this table is not true in view of the reduction in funds which were expected at the time the table was made up?

Mr. NITZE. No; the table is correct. Column 6 is the amount we are trying to justify here for appropriation.

Mr. CASE. And column 6 includes the $1,000,000,000 handled as a public debt transaction, as well as the 4.3 billion dollars you seek in appropriations?

Mr. NITZE. That is right, as well as the $55,000,000 you asked about.

Mr. MAHON. Column 1 is also correct, based upon the figures actually provided in the authorization?

Mr. NITZE. Column 1 is not the amount which would actually move forward. A little less than that would have to move forward in order to fit the obligations.

The CHAIRMAN. That is your 15 months' period?

Mr. NITZE. That is correct.

The CHAIRMAN. So that you are not figuring that within the period for which you are asking these funds, but that is the objective?

Mr. NITZE. That is correct, sir.

Mr. KERR. Just to clear up this tobacco situation, as I understand it, the total amount of shipments of tobacco from the Western Hemisphere is $299,000,000.

The CHAIRMAN. That is the whole picture—$299,000,000 for 15 months. That refers to the whole 16 countries, but the amount for the 12 months' period which we are considering here currently is about $240,000,000. Is that correct?

Mr. KERR. This shows $110,000,000.

Mr. CASE. It is $262,000,000, Mr. Chairman, under the testimony they have given here.

The CHAIRMAN. It does drop off one-fifth, then.

Mr. PHILLIPS. That is the figure that was given to the Senate Foreign Relations Committee, and since then all of these figures have been reexamined and later information incorporated in them.

Mr. KERR. Let me get this straight. This allotment of $299,000,000 for tobacco is from the Western Hemisphere, and you have cut that down to $110,000,000?

The CHAIRMAN. No. The figure they are expecting will be exported within the 12 months' period from April 1, 1948, to March 31, 1949, is approximately four-fifths of that, according to their revision.

Mr. WIGGLESWORTH. And the $110,000,000 is that portion of it which comes out of the ECA funds.

Mr. KERR. Which is distributed to the whole amount?

Mr. CASE. And there are 91.4 million dollars which will be shipped also from the Western Hemisphere in tobacco, to be paid for out of dollar earnings and loans and credits?

Mr. NITZE. That is correct.

Mr. CASE. Making the program total $201,000,000 or $202,000,000 worth of tobacco altogether from the Western Hemisphere?

Mr. NITZE. That is correct; except the first figures are on the 15 months' basis, and the last figure is on the 12 months' basis.

Mr. KERR. What is the value of the tobacco shipped from the Western Hemisphere prior to the war?

The CHAIRMAN. Prior to the war—there is not any summary sheet on that, is there?

Mr. NITZE. As I remember it, these figures are fairly close to the prewar shipments. Is not that correct?

Mr. MAHON. In dollars or pounds?

Mr. NITZE. In pounds.

Mr. NORTHRUP. I can give you the figure for the 12 months, 1948–49 for shipments from the United States. The poundage figure for tobacco, the 15 months figure——

Mr. MAHON. This covers all shipments?

Mr. NORTHRUP. All shipments to all European countries, from the United States to all participating countries. For the 12 months, 1948–49, it was estimated at 437,000,000 pounds. That figure is about 149 percent of our prewar shipments from this country; it is about 108 percent of last year's, that is, the 1947–48 year, to these same countries; and it is about 84 percent of our estimated total exports next year.

Mr. CASE. What was the percentage of the prewar shipment?

Mr. NORTHRUP. About 148 percent.

Mr. CASE. Then, following the statement you made a little while ago that tobacco was essential to the rehabilitation of those countries, if we are going to raise those countries up to the industrial level desired, it would be necessary for us to finance shipping to them 149 percent of their prewar tobacco consumption?

Mr. NORTHRUP. Yes; but these are only the United States figures. To get the complete picture, we should know about the total supply.

Mr. CASE. To get the complete picture, I suggest the gentleman should read the debate in the House of Representatives on the afternoon when this was under consideration, where a great deal of time was taken to determine the standards in the bill were such that they would insure a proper quota for the tobacco that was shipped—a proper quota for burley, a proper quota for flue-cured, a proper quota for Ohio and Pennsylvania tobacco—so that the distribution of this 50-percent bonus on prewar shipments of tobacco would be properly allocated among the various States that produce tobacco.

Mr. NORTHRUP. I read that testimony. I have one more piece of information that might be helpful. The figures I just gave you were with respect to the United States estimates of shipments for the 12 months' period 1948–49. When you add on the total production and

take into account shipments from other sources of the world, the Western Hemisphere with other places, that gives them a total supply figure in all European countries next year of 92.5 percent of the prewar level of supply, about 101 percent of this year's supply level, and 110 percent, or about 10 percent more than the Paris report indicated, last year.

The CHAIRMAN. The statement on D–4 and D–5 does not give a break-down by countries so anyone can tell anything about it except the dollars.

Mr. STEFAN. Do we not have a sheet showing the commodities by countries?

Mr. NITZE. E–1 is the sheet for Austria, and the succeeding E numbers give the similar items for each country and give a break-down by commodities by countries.

The CHAIRMAN. E–1 and E–2 is a break-down by dollars.

Mr. NITZE. That is given by dollars; yes.

BREAK-DOWN OF COMMODITIES IMPORT REQUIREMENTS, ETC., FOR AUSTRIA

The CHAIRMAN. Those two sheets will be made a part of the record. (The statements follow:)

Austria: Proposed distribution of ECA obligations for commodity import requirements and for other dollar payments, by periods, Apr. 1, 1948–June 30, 1949, and Apr. 1, 1948–Mar. 31, 1949

[In millions of dollars with 1 decimal]

	Commodity	Total shipments from Western Hemisphere	Shipments financed from sources other than ECA funds		Total (column 1 minus columns 2 and 3)	ECA obligations	
			Dollar earnings	Loans and credits		Apr. 1, 1948–June 30, 1949	Apr. 1, 1948–Mar. 31, 1949
		(1)	(2)	(3)	(4)	(5)	(6)
01	Bread grains	71.0			71.0	71.2	56.6
02	Coarse grains						
03	Fats and oils	22.5			22.5	26.5	21.0
04	Oilcake and meal	1.7			1.7	1.7	1.3
05	Sugar	15.3			15.3	14.4	9.7
06	Meat	9.9			9.9	9.9	7.4
07	Dairy products						
08	Eggs						
09	Dried fruits	1.5			1.5	1.5	1.1
10	Rice						
11	Coffee	2.1			2.1	2.1	1.6
12	Other foods	11.1			11.1	8.4	8.3
13	Tobacco	4.2			4.2	4.6	3.6
14	Cotton	21.6		4.7	16.9	18.1	13.6
15	Nitrogen fertilizer						
16	Phosphates						
17	Potash						
18	Agricultural machinery	1.6			1.6	1.6	1.2

Austria: Proposed distribution of ECA obligations for commodity import requirements and for other dollar payments, by periods, Apr. 1, 1948–June 30, 1949, and Apr. 1, 1948–Mar. 31, 1949—Continued

[In millions of dollars with 1 decimal]

	Commodity	Total shipments from Western Hemisphere	Shipments financed from sources other than ECA funds		Total (column 1 minus columns 2 and 3)	ECA obligations	
			Dollar earnings	Loans and credits		Apr. 1, 1948–June 30, 1949	Apr. 1, 1948–Mar. 31, 1949
		(1)	(2)	(3)	(4)	(5)	(6)
19	Coal						
20	Coal-mining machinery	.5			.5	.5	.4
21	Petroleum products	1.1			1.1	1.1	.8
22	Timber						
23A	Finished steel						
23B	Crude and semifinished steel						
23C	Pig iron						
23D	Scrap iron						
23E	Rich iron ore						
24	Trucks	3.0			3.0	3.0	2.2
25	Freight cars						
26	Steel equipment	4.2			4.2	2.5	2.0
27	Timber equipment	4.0			4.0	2.7	2.0
28	Electrical equipment	.7			.7	.7	.5
29	Copper	6.8			6.8	6.3	5.0
30	Tin						
31	Lead						
32	Zinc						
33	Aluminum						
34	Wool	.9			.9	.9	.7
35	Wool yarn						
36	Woolens and worsteds						
37	Cotton yarn						
38	Cotton cloth						
39	Wood pulp						
40	Newsprint						
41	Rubber						
42	Hides, skins, and leather	1.3			1.3	1.3	1.0
43	Fish						
44	Chemicals	17.5			17.5	18.4	12.9
45	Machinery, n. e. s	5.0			5.0	6.0	5.0
46	Vehicles, n. e. s	.2			.2	.2	.2
47	Petroleum equipment	2.3			2.3	2.3	1.7
48	Miscellaneous commodities	27.3		14.0	13.3	14.3	7.8
	Total commodities	237.3		18.7	218.6	221.2	167.6
49	Net dollar payments	17.7	10.9		6.8	6.8	6.8
50	Price adjustment	16.6	.7	1.3	14.6	14.7	11.2
	Grand total	271.6	11.6	20.0	240.0	242.7	185.6

RECAPITULATION BY PARTICIPATING COUNTRIES

The CHAIRMAN. Then you have the whole picture set out in the recapitulation by countries on D–6?

Mr. NITZE. Yes.

The CHAIRMAN. We will include D–6 in the record.

(The statement follows:)

Recapitulation by participating countries—proposed distribution of ECA obligations for commodity import requirements and for other dollar payments, by periods

[In millions of dollars with 1 decimal]

Country	Apr. 1, 1948–June 30, 1949				ECA obligations	
	Total shipments from Western Hemisphere [1]	Shipments financed from sources other than ECA funds		Total (column 1 minus columns 2 and 3)	Apr. 1, 1948–June 30, 1949	Apr. 1, 1948–Mar. 31, 1949
		Dollar earnings [2]	Loans and credits [3]			
	(1)	(2)	(3)	(4)	(5)	(6)
Austria	271.6	11.6	20.0	240.0	242.7	185.6
Belgium-Luxembourg and Belgian Dependencies	987.4	348.8	211.0	427.6	378.2	295.5
Denmark	265.3	24.1	62.0	179.2	169.4	130.8
France and French Dependencies	1,944.4	321.9	185.0	1,437.5	1,469.3	1,130.8
Greece	235.4	60.7		174.7	137.5	106.4
Iceland	20.9	6.1		14.8	14.1	10.9
Ireland	195.3	33.1		162.2	150.0	113.9
Italy	1,122.8	171.0	112.0	839.8	901.1	703.6
Netherlands and Netherlands dependencies	1,178.2	181.8	175.0	821.4	777.7	599.6
Norway	263.3	120.7	79.8	62.8	42.1	32.8
Portugal and Portuguese dependencies	166.8	166.8				
Sweden	497.4	355.0	63.0	79.4	36.0	28.4
Switzerland	445.4	445.4				
Turkey	86.7	73.7		13.0	12.8	10.0
United Kingdom and United Kingdom dependencies	4,273.4	2,067.8	407.0	1,798.6	1,670.6	1,324.3
Western Germany—Bizone	1,442.5	64.2	822.0	556.3	554.6	437.4
Western Germany—French Zone	144.2	12.8		131.4	126.0	96.4
Western Germany—Saar	24.3	3.0		21.3	20.4	15.6
Total	13,565.3	4,468.5	2,136.8	6,960.0	6,702.5	5,222.0
1. Administrative and other expenses					+97.5	+78.0
2. ECA program, April 1948 through March 1949						5,300.0
3. Comparable ECA program, April 1948 through June 1949					6,800.0	
Reconciliation of 12 months' ECA program with comparable 15 months' ECA program:						
12 months' ECA program					5,300.0	
Add: Estimated 3 months' obligations (to bring to 15 months' basis, April 1949 through June 1949)					+1,500.0	
Total					6,800.0	
Reconciliation of comparable 15 months' ECA program on obligations basis with that of shipments basis:						
15 months' obligations basis					6,800.0	
Less: 15 months' administrative and other expenses					−97.5	
					6,702.5	
Less: Obligations for future delivery					−800.0	
Plus: Goods estimated to be in the pipe line April 1948 and financed prior to that date from sources outside of ECA program					+600.0	
Deficit arising from Western Hemisphere shipments [1] which might be financed under comparable 15 months' ECA program					6,502.5	
Reconciliation of estimated net deficit arising from Western Hemisphere shipments [1] with comparable 15 months' ECA program on shipments basis:						
Grand total of column 4, above				6,960.0		
Deficit arising from Western Hemisphere shipments [1] which might be financed under comparable 15 months' ECA program				6,502.5		
Estimated uncovered deficit				457.5		

[1] Includes shipments to bizone Germany from sources outside Western Hemisphere financed by ECA and amounting to $200,000,000.

[2] Includes proceeds arising from exports to Western Hemisphere countries, net dollar earnings on invisible account, and drawings on cash reserves.

[3] In the case of bizone Germany, includes the appropriation of $822,000,000 being requested by the Department of the Army for the prevention of disease and unrest.

Relation of Estimated Austrian Imports to Food Production

The Chairman. I want to ask you a few questions with reference to the figures shown on page 1.

You are figuring to have available in Austria, for grains, about 25 percent more than they had for the current year. Is that correct?

Mr. Nitze. That is correct.

The Chairman. And you are figuring to have available, including what we send over, fats and oils, about 25 percent more?

Mr. Nitze. That is correct.

The Chairman. On oil cake and meal you are figuring to have available 50 percent more.

Mr. Nitze. Something less than that.

The Chairman. Well, practically that.

Mr. Nitze. About 50 percent.

The Chairman. And on sugar you are figuring to have available about 60 percent more.

Mr. Nitze. That is correct.

The Chairman. On meat, about 5 percent more.

Dairy products, and that sort of thing, about the same.

Eggs about the same.

On pulses, about 50 percent more.

Why can they not raise the pulses that they need in Austria instead of having to send them over?

Mr. Nitze. Austria has never produced the full amount of the food necessary for its population, and has always been an importing country.

The Chairman. I know, but pulses are things you can raise pretty readily and easily on a small acreage. Do you have anyone who knows about that?

Mr. Northrup. I can give you a partial answer. So far as I know the total land utilization is pretty well planned, I think, and the lands available for that particular commodity are just not available. These figures show an estimated increase of about 25 percent in the production of pulses.

The Chairman. The domestic production you show here, prewar, is 11,000 tons, with imports of 4,000 tons, or a total 15,000, whereas you are planning to import 71,000, with a domestic production of only 3,000.

Pulses are the easiest things to raise from every standpoint; it takes very little acreage, and there is not any reason in the world why they should not raise their pulses themselves. I do not know whether any of you know anything about agriculture or not, but it seems to me that somebody should look into this thing who knows about such things. There ought to be some graphs on that somewhere.

REASON FOR REDUCTION UNDER PREWAR FOOD PRODUCTION

Mr. Mahon. Your point is that the prewar production was 11,000 tons, and they are only planning 3,000 tons in 1948–49.

The Chairman. And that is the easiest thing to raise and one of the hardest things to transport, and a costly thing to transport. There is not any reason in the world why they should not step up their production.

Mr. MAHON. Somebody ought to know why that is so. It may be they prefer to use the lands that they could use in production of pulses for something else. Cannot somebody look into that and see why the production is reduced below prewar?

Mr. NORTHRUP. These figures were developed, Mr. Chairman, on the basis of estimates by countries for each of the food crops shown on these tables, with their own production estimates next year, and in large part is a combination of the information available that is coming in through my own Office of Foreign Agricultural Relations in the Department of Agriculture.

The CHAIRMAN. Sometimes these fellows only know about raising wheat or corn or cotton and have no general knowledge of things. That kind of makes me think that is the kind of basis that this has been figured out on.

Mr. NORTHRUP. I think the basic approach was not to attempt—well, we can exercise some judgment when it comes to planning their production, but when it comes to telling another sovereign nation that their agricultural planning would be of a certain kind is another sort of problem. This represents the best information and judgment we could secure on these various figures.

The CHAIRMAN. You mean when we are being asked to supply large sums of money and large quantities of goods we do not have any right to suggest to the country how they could improve their balance and make the cost of this over-all picture a little less?

Mr. NORTHRUP. No. In many instances we have said that very thing.

The CHAIRMAN. Then there is not any sense to the idea that we cannot say it to them. Evidently you do not have the answer to that phase of it.

Mr. NORTHRUP. I would be glad to find that out and supply the answer to the question.

Mr. KEEFE. May I just summarize for my own benefit the point you raised, Mr. Chairman. Do I understand that the question that you are trying to get an answer to, and which I have not heard as yet, is that whereas the results as indicated under the authorized production in prewar is 11,000 tons, metric tons of pulses, the estimate here indicates that the estimated production in 1948–49 will only be 3,000 metric tons, and the question is why should they have that tremendous drop?

The CHAIRMAN. Yes.

Mr. KEEFE. No one has answered that.

Mr. MAHON. You show the prewar production in almost all instances, with the exception of a few blanks, is far better than the production would be in 1948–49. Is that true of most of the nations?

Mr. NITZE. No; I think the sheet which summarizes that is table 11 in the justifications; it appears on page F—the page that follows F–13, which will give the over-all figures comparing the prewar, by commodities.

The CHAIRMAN. You mean the over-all figures for what?

Mr. NITZE. For all the 16 countries, including western Germany.

Mr. MAHON. F–13?

Mr. NITZE. The table after F–13.

The CHAIRMAN. That is the over-all for all countries?

Mr. NITZE. For all participating countries. But that indicates they expect they will produce of bread grains, for instance, 98.7 of prewar and it will be 124 percent of what it was last year. These estimates have been computed——

Mr. MAHON. Pulse production for all of the 16 nations as a whole is to be stepped up?

Mr. NITZE. We can get that information for you.

The CHAIRMAN. You mean for all countries?

Mr. NITZE. For purses; 87 percent of prewar; and 105 percent of 1947–48.

The CHAIRMAN. For all countries?

Mr. NITZE. Yes; for all countries.

The CHAIRMAN. That is not the way it runs for Austria, and I think we had better stick to the one country or we will never be able to complete the hearings.

Mr. NITZE. This table does illustrate, in the last line, a very important factor; it gives the per capita consumption, prewar.

The CHAIRMAN. That is the over-all picture. That is something we can look into after we get through with the details.

COFFEE

Now, you have coffee in here. Why do you have coffee going to these people?

Mr. NITZE. Coffee is one of the things that is in great demand in these countries.

The CHAIRMAN. They did not have any in 1946–47 or 1947–48, did they?

Mr. NITZE. I believe not.

DRIED FRUITS

The CHAIRMAN. Under dried fruits you seem to have quite an item. What is the reason for that?

Mr. NITZE. The reason for that is that the over-all situation for food has been extremely difficult, particularly in Austria, during the last year, which has made it almost, if not impossible, for them to get fruit.

The CHAIRMAN. Do they dry any fruit themselves; do they not have indigenous fruits which they can dry?

Mr. NORTHRUP. Not in Austria.

The CHAIRMAN. Not in Austria?

Mr. NORTHRUP. Yes.

The CHAIRMAN. Do they can fruit?

Mr. NORTHRUP. I do not know the answer to that, but our figures show no dried fruit in Austria prewar. They did import fruit.

The CHAIRMAN. They have been a big producer of fresh fruit.

Mr. NORTHRUP. Yes, I think so.

The CHAIRMAN. At least they did, prewar?

Mr. NORTHRUP. Yes.

The CHAIRMAN. It must be that they had dried fruit.

Mr. NORTHRUP. I do not know; they may have dried some, but our figures do not disclose that information.

The CHAIRMAN. Then you have tobacco, 3.8 million pounds, and you are planning there a total of as much as they had prewar.

Mr. KERR. No; prewar, the Western Hemisphere as shown here had 11 million, and now in 1948 and 1949 they only have 8.3 million.

The CHAIRMAN. Prewar on this table shows 8. You are planning on having as much imported there as they had prewar. Why is that?

Mr. NITZE. One of the most important problems in each of these countries is to attain some degree of financial stability to absorb the excess purchasing power that there is in the country, so as to get them back to a recovery basis and not a relief basis. One of the best ways to absorb that excess purchasing power is through tobacco. It is sold at high prices with very heavy taxes in those countries and is one of the items which enables the balancing of the budget within the country.

Mr. KERR. Mr. Chairman, let me say right there that tobacco is a great source of income to the taxes of the country. We farmers grow tobacco and sell it for 45 and 50 cents a pound. It is then shipped by the exporters to England—and what is true of England is true of all the other countries—and they collect from this tobacco heavy taxes before they ever let the manufacturer put it into cigarettes. It is a source of a great amount of taxes from the manufacturers in the tobacco industry, and that is one of the reasons, of course, you can build up their economy and help them by letting the manufacturers get this tobacco, manufacture it into cigarettes, and pay taxes which help to sustain the government.

And that is not all. I have been told that the British Government has recently raised these taxes to $20 a pound on tobacco and they will not let the manufacturers put it in their factories until they pay the $20 a pound. They used to collect $10, and now they have raised it to $20, and they have to pay that before they will let one cigarette be made out of the tobacco. So it is a source of great income to the British Empire.

And the people over there cannot make these cigarettes without using American tobacco; they cannot make cigarettes which are salable out of any other tobacco. The British Government sought for 20 years to grow tobacco in New Zealand, Canada, China, Japan, India—all over the world—in order to make a substitute for American tobacco which they imported over there, and they could not do it.

Mr. NORTHRUP. May I make an explanation on that point which I think may be of help to you? This is also true of the figures for all countries on tobacco as well as dried fruits and some other commodities.

We know in our Department—and I am sort of anticipating Mr. Dodd's testimony tomorrow and I do not want to do that—(1) their stocks of tobacco in may European nations are quite low, and their own people have told us and continue to tell us that they need to get more imports now. For example, in Austria, the figure you are talking about, half of these 8,000 tons of imports is estimated as coming from the United States and half from Europe. That is probably Turkish or Greek tobacco.

Our philosophy on that point has been largely this, that one of the main objects of the European recovery program is restoration to a more normal situation and not the continuation of just a relief situation. It also means from the standpoint of our own economy, to the

degree that this represents exports from here of tobacco, that this is an estimate of a gradual return to a more normal trade relationship in these commodities between this country and Europe, which has always been historically—and I am sure will have to continue as such—one of the major export markets for our historical export crops in this country. And our tobacco, as you well know, is one of the most important.

Now, these figures do not reflect any estimate on tobacco to export to those countries of more than normal and in many cases less than their prewar level. Austria, you will note, is about the prewar level. Our attempt on that has been, as closely as we could, to make an evaluation of the stocks on hand in the European nations with respect to tobacco, and the estimates are in line with their own indications to us coming in from the Paris report last summer and subsequently and continuing information that this is one of the things they would like to have and we believe they need to have for the over-all, general rehabilitation of their economy, for reasons just expressed by Judge Kerr.

Mr. CASE. You are supporting the thesis, then, that tobacco is part of their recovery?

Mr. NORTHRUP. Yes, sir.

COTTON

The CHAIRMAN. Now, we have cotton, 13,900 metric tons, and their total prewar seems to have been 36,000, and this year it seems to have been 15,200, and last year it was 13,000 metric tons. Now, is this on the basis of what is necessary for the operation of their own economy or on an export basis or what?

Mr. NORTHRUP. On the basis of their needs for their own mill consumption.

The CHAIRMAN. For their own mill consumption?

Mr. NORTHRUP. Yes, sir.

The CHAIRMAN. Do they export out of those mills to a very large extent or not?

Mr. PHILLIPS. According to the figures, they would export none. The available supply would be 26, the same as their imports, and with no domestic production, presumably they could not be exporting or they would not have that available supply.

Mr. NORTHRUP. There are no exports.

Mr. CASE. Is that just conjecture, or is that the fact—that they will not export any of those cotton goods?

Mr. MALENBAUM. They do export cotton goods.

Mr. CASE. How much?

Mr. MALENBAUM. On the next page, item 38, the estimates of production of cotton yarn and cotton cloth are given. It is the second sheet for Austria on that large sheet.

The CHAIRMAN. It is items 37 and 38.

Mr. MALENBAUM. It shows that they do produce 21,000 tons of cotton yarn and 15,000 tons of cotton cloth.

The CHAIRMAN. And they export 5 of one and 2.75 of another.

Mr. MALENBAUM. That is right.

Mr. CASE. That is Austria?

The CHAIRMAN. It is the difference between the total domestic production and the available supply.

Mr. MAHON. Now may I ask a question about cotton?

The CHAIRMAN. Surely.

Mr. MAHON. Looking at the big sheet on Austria, in line 14 "Cotton," you say for 1948–49 total imports 26,000, and then the available supply is 26,000 tons. Now, in this table those two figures will not always be the same, I presume. In other words, available supply means what—the supply from their own country or from other countries, or just what is the meaning of available supply?

Mr. PHILLIPS. It would be domestic production plus their total imports minus their exports, leaving the supply available for their use.

The CHAIRMAN. In other words, there is no column in here for exports, and you have to add the imports and the domestic production together and subtract the available supply to get the exports.

FRESH FRUITS

Mr. MAHON. If you run up the table to "Fresh fruits," you have total imports 40,000 tons and available supply 715,000 tons. That means the supply available from domestic production?

Mr. MALENBAUM. The 675,000 is from domestic production.

The CHAIRMAN. And that, with the 40,000, makes the 715,000.

Mr. MAHON. Now, this column on imports—is that imports from the United States or from the Western Hemisphere?

Mr. MALENBAUM. It is from all over the world.

The CHAIRMAN. That is from all over the world. That is the amount that comes out of this particular appropriation that is under ECA, which precedes 1948–49.

Mr. MAHON. That is good. I understand it now.

TRACTORS

The CHAIRMAN. The next item for Austria is tractors—120 tractors. Why do you need to send 120 tractors to Austria?

Mr. NITZE. I am more familiar with the European situation as a whole than I am as to Austria with respect to tractors, but as to Europe as a whole——

The CHAIRMAN. I do not care about going into Europe as a whole. I think we have to go into each country on this tractor business and, if we can, get information on it.

Mr. MALENBAUM. You will notice, Mr. Taber, the level of imports and the use of tractors in the years after the war were 3,000 units, and we are visualizing a program of that amount of additional tractors, and they would have available the first year of the program not more than 2,200, which would be the 600 they are importing and the 1,600 they are producing as against 3,000 tractors they got in each of the two preceding years.

The CHAIRMAN. But that would mean they have more tractors on hand now than they had prewar, would it not?

Mr. MALENBAUM. We have an estimate of their total power units. We combined the tractors and other draft power, mechanical power, and even in 1947, after having received 6,000 tractors from abroad in 2 years, they were about 10 percent below in total power units in Austria for 1947 than they were in the prewar years.

The CHAIRMAN. Then they could not possibly have had 5,000 tractors prewar.

Mr. MALENBAUM. No. It is the loss of animal units such as horses and the loss of other work animals which has been so much during the war.

The CHAIRMAN. How big are their farms? They are not over 10 acres, average, are they?

Mr. MALENBAUM. I do not have that figure.

The CHAIRMAN. They are not a bit over that. I saw some of them, and I did not see any that would make me get an idea they would average over 10 acres, including their pasturage.

QUESTION AS TO ADVISABILITY OF SUPPLYING TRACTORS

Mr. MAHON. I would like to say now, Mr. Chairman, in regard so to tractors, that I have grave doubts about the export program of tractors to Europe, for many reasons, among others being the reason that petroleum products are in scarce supply all over the world. In my own Congressional District today, where the average size farm is 300 acres and which utilize big tractors, many of the farm tractors cannot move because they do not have an adequate supply of gasoline in the State of Texas, which produces so much gas. So if we are having our own problem of getting gas in Texas, how can we expect the people in Austria to get enough gas to operate tractors? And I would want Mr. Hoffman to see to it that we got the best possible information in regard so this subject of tractors.

There is no use of sending tractors over there if the farms are not set up to use them and they cannot get the petroleum products. And would it be proper to ask Mr. Hoffman to get the information on that so that we can have an authoritative statement before we take final action on the bill?

The CHAIRMAN. I think we have got to have more justification than a cursory statement that they got so many last year or something of that kind.

PETROLEUM PRODUCTS

Mr. CASE. In that connection, Mr. Chairman, I call attention to the fact that line 21, "Petroleum products," shows the ECA shipments of petroleum which they expect to finance to the extent of 27,600 metric tons. That mean, probably, paying Russia for some domestic Austrian production which Russia is taking over and claiming is a part of Austria.

Mr. NITZE. No, sir.

Mr. CASE. Why not? Where is it going to come from; has not Russia taken over a great deal of the natural petroleum production of Austria?

Mr. NITZE. That is right. That is the domestic, internal production in Austria, but these are imports.

Mr. CASE. And is not Austria having to pay Russia for it?

Mr. NITZE. It certainly is, but this figure would not include the payment to Russia.

Mr. CASE. That makes the situation just that much worse. Where is this coming from; is this from the Western Hemisphere?

Mr. NITZE. This is dollar oil and not necessarily from the Western Hemisphere. It comes from United States companies, but not necessarily from the Western Hemisphere.

The CHAIRMAN. That means it comes from the Middle East, if you can get it.

Mr. CASE. And from Venezuela, if you cannot.

The CHAIRMAN. That is right.

EFFECT OF PETROLEUM PROGRAM UPON DOMESTIC SUPPLY

Mr. KEEFE. In any event, whether the petroleum products are supplied from the oil-producing fields in the Near East or Venezuela or domestic production in the United States, the fact remains that in the over-all picture of the available supply of petroleum products to the United States that whatever is taken out of that over-all pool means that the indigenous production of petroleum products that is natural to the people of the United States is going to be diminished. That is all there is to it, and that has clearly appeared from other evidence produced before this committee on other hearings. And I, for one member of this committee, want that subject very thoroughly explored, also.

TRACTORS

Mr. CASE. In connection with tractors, it might be profitable for the ECA to investigate the tractors sent to Greece by UNRRA which are still in the warehouses there and have not been used, either because the Greek farms do not lend themselves to tractor cultivation or because the Greek farmers are not accustomed to using tractors or the farms are too small or they cannot get the petroleum products.

Mr. MAHON. I would like to have a showdown on this thing. I would like for Mr. Hoffman to see to it that the whole thing is explored and we are really given an authoritative, convincing statement about these things, based on facts.

The CHAIRMAN. I think the thing should be sent up here, so that we have enough copies for the committee, giving an analysis of what tractors are expected to be sent to each country and why.

Mr. MAHON. Yes. I saw tractors in Greece myself and saw elaborate agricultural machinery which those people were not using and could not use for various reasons, and I do not want to pull another bonehead on this program.

The CHAIRMAN. I went through a good deal of Germany and went through quite a portion of Austria. Neither appeared adapted to effective tractor use, and I would not be in favor of sending any substantial number of tractors to either Germany, Austria, France, or Italy. I do not think they have the places where they can be effectively used.

The CHAIRMAN. You have another thing that is quite important in my opinion. I know up in my country there is a great shortage of tractors, and the shortage interferes very largely with our wheat and corn production. And that is a very important factor even for this particular set-up.

Mr. MAHON. Besides that, if you had a tractor on every farm in Europe, it would not do much good today, because they do not have the petroleum products. And if you have an isolated tractor here and there, you know what happens to them; there is always some repair to be made, and they do not have the repair parts, and they stand idle.

It is foolish to try to change the agricultural habits that are centuries old by trying to go into mechanization, unless you know where you are going.

The CHAIRMAN. That is right.

Mr. CASE. Could you ask, also, for a report on the tractors which Governor Griswold mentioned to us that were in warehouses in Greece and on the docks and never used?

The CHAIRMAN. And what has now been done with them.

Mr. CASE. And what has now been done with them. And in connection with the petroleum figure, attention should also be drawn to the fact that the prewar total supply of petroleum in Austria was 349,000 metric tons, and it is proposed by this program to assure an available supply of 989,000 metric tons.

Mr. WIGGLESWORTH. Plus 27,600.

Mr. NITZE. The 27,600 is part of the 80,000.

Mr. CASE. It is difficult for me to understand why, even with all the desirability of getting Austria to some degree above what they had prewar, the petroleum figure should call for practically trebling their available supply.

The CHAIRMAN. They indicated that they had that in each of the years 1946 and 1947. How they got it I do not know, unless we just turned it in.

The CHAIRMAN. They had a prewar production of 101; apparently that is 101 units, the unit being 1,000 metric tons.

Mr. CASE. They had a domestic postwar production up to 909. It is difficult for me to understand why they should have to import any.

The CHAIRMAN. It is.

Mr. KEEFE. Mr. Chairman, do you expect to take up the subject of farm machinery?

AGRICULTURAL MACHINERY

The CHAIRMAN. We will do that right now. You have a figure of agricultural machinery of 1,135 metric tons of ECA shipments financed from April 1, 1948, to March 31, 1949; total imports, 1948–49, 6,300 metric tons; domestic production, 16,250 metric tons; domestic production prewar, 10,900 metric tons; total imports 1946, 47,300 metric tons; domestic production 1946, 6,700 metric tons; and available supply 1946, 5,400 metric tons.

Does that mean that the Russians got the rest?

Mr. MALENBAUM. I think that is a mistake in the figures. I think that should be 54,000 tons.

The CHAIRMAN. You think that figure is subject to correction?

Mr. PHILLIPS. Yes.

The CHAIRMAN. In 1947 there seem to have been imports of 32,100 tons; domestic production of 11,500 tons; and available supply, 43,600 tons.

With that picture, why do we have to contribute 1,135 tons of agricultural machinery? This indicates that currently there is no available supply. It just makes me wonder.

Mr. MALENBAUM. The reason that column is left blank, Mr. Chairman, is that we did not have the details on whether or not there would

be exports from those countries, so rather than put a total for available supply without accounting for exports, we did not put the figure in.

Mr. CASE. It possibly means that it will all be exported.

The CHAIRMAN. To Russia?

Mr. CASE. I do not know. They are apparently taken care of, Mr. Chairman, because before the war their total available supply was 10,900 metric tons—per annum I suppose; and in 1946 they got 54,000 and in 1947, 43,600, most of which were imports. So, stocked up that way, they are now able to export their new imports and the domestic production.

The CHAIRMAN. It would look that way. I should wonder if there was any reason for that 1,135 tons being supplied. Is there any reason?

Mr. NITZE. I believe there is, sir.

The CHAIRMAN. Why?

Mr. NITZE. The Department of Commerce would be the ones who prepared these figures and I think they would be more competent to give the details.

EFFECT OF SHIPMENT OF AGRICULTURAL MACHINERY ABROAD UPON DOMESTIC ECONOMY

Mr. KEEFE. Right on that question, may I interject a thought that pursues me through this entire picture? The Department of Commerce came before this committee urging a deficiency appropriation anticipatory of a build-up of the Export Licensing Division of the Department of Commerce; and, in their justifications before this very committee, they had broken down the categories in which they would operate, such as pig iron, and so forth. Among other categories was agricultural machinery.

In the justifications before this committee there was the flat statement of the Department of Commerce that the entire domestic production in the United States in the field of farm machinery was insufficient to supply the domestic demand, and that if the ECA became effective it would absorb at least 25 percent of the total domestic production of farm machinery in the United States.

On the face of it, on the basis of those justifications submitted before this committee, there was an apparent conclusion on the part of the Department of Commerce as I interpret it, that to proceed with this program would have a serious impact upon our own domestic economy, when the farm population that I represent are clamoring for farm machinery, and have been for years, and are unable to get it. Even if they were given the entire domestic production of the United States—that is, the farmers of the United States—they would still be short. And then we propose under this program to take away 25 percent, if those figures were correct, as they were given to this committee, of the entire domestic production of farm machinery, and send it abroad.

If that does not present an issue for immediate determination by this committee, rather than one that should be left to the Department of Commerce, under that statement of facts which indicates a very clear and definite shock to the domestic economy, then I do not understand English.

I want some determination of that situation so far as I am concerned before I am going to vote a dollar to send agricultural machin-

ery to Europe, because in the organic act under which we are operating, it is very clearly indicated that one of the basic purposes for consideration is that the domestic economy of this country shall be preserved.

The farm population of this country is being called upon to produce the food and the other items provided for under this program. Somewhere along the line the Congress has to determine whether it meant what it said when it passed this program. It said:

Provided, That no assistance to the participating countries herein contemplated shall seriously impair the economic stability of the United States.

Mr. CASE. That was a little oratory for the purpose of getting the bill passed.

Mr. KEEFE. It may have been a little oratory for the purpose of getting the bill passed, but so far as I am concerned, it has some meaning.

I asked Mr. Hoffman, as I think he will recall, a question on that very issue, who was going to make the determination as to whether or not shipments abroad of any of these materials contemplated would in fact seriously impair the economic stability of the United States; and the answer was that so far as farm machinery and that sort of thing was concerned, the reply would be made by the Department of Commerce; as to foodstuffs, et cetera, by Agriculture; as to minerals and petroleum products, by the Department of the Interior.

Now, the Department of Commerce has already been before this committee—and that is my point—and testified that this program will take 25 percent of the production of farm machinery here, the total production of which is not sufficient or anywhere nearly sufficient to satiate the domestic demand. Do you get the point?

Mr. HOFFMAN. Yes, sir; I think so.

The CHAIRMAN. I should like to say for the record that it seems to me in this whole discussion that there is no one here who can asnwer the questions so that the committee would be able to say that there was a justification for a great many of these items. Whether there is anybody who can answer these questions I do not know, but if there is I want to put the representatives of the departments and agencies who are here before us now on notice that they should produce him or them.

Mr. CASE. Mr. Chairman, is not part of the difficulty the fact that these estimates of import requirements were prepared by the Department of Commerce, which is not represented here?

Mr. NITZE. That is correct, sir.

The CHAIRMAN. It was understood that we were to proceed and develop the needs of these countries. We are not getting the information. If we do not get it, there is no use of our wasting our time here. We ought to have somebody here who knows the answers.

Mr. NITZE. It was our understanding, sir, that you wanted to hear the Department of Agriculture, for instance, on food items.

The CHAIRMAN. The statement I made last night is that I wanted to develop the needs of each country first before we went into the question of our capacity to supply; because I do not want to ask an organization what we are able to supply until I know what the need is. I cannot pass on that question until I know what the need is. And I do not see how we can do it in any orderly way unless we get that information first.

Mr. NITZE. The same people who worked on requirements by commodities worked on availabilities.

Mr. HOFFMAN. Mr. Chairman, would it save the time of the committee if we had available here, standing by, the men from the other departments so that when the various questions came up, the people who could answer them would be here? Ovbiously we ought to have someone here this morning from the Department of Commerce.

Mr. NITZE. That is correct.

Mr. HOFFMAN. I am sure that what we all want to do is to have the people here who can give detailed answers to these questions and I think, Mr. Nitze, it would be well to see if we cannot bring in for the afternoon session some of these people from these foreign missions.

WEDNESDAY, APRIL 21, 1948.

SOURCES OF CREDITS OUTSIDE ECA FUNDS AND DOLLAR EARNINGS

STATEMENT OF HAROLD R. SPIEGEL, CHIEF, DIVISION OF FINANCIAL AFFAIRS, DEPARTMENT OF STATE

The CHAIRMAN. Mr. Spiegel, will you tell us your full name and your position in the State Department?

Mr. SPIEGEL. Harold Robert Spiegel. I am Chief of the Division of Financial Affairs in the State Department.

The CHAIRMAN. There is a suggestion here that certain European relief program requirements will be financed by other Western Hemisphere countries; the International Bank, the Export-Import Bank, and three or four other set-ups. Will you tell us what you can about that picture?

Mr. KEEFE. Mr. Chairman, may I make an inquiry at this point? I have been handed a memorandum marked "Restricted." I should like to inquire if the information contained in this memorandum is restricted.

Mr. SPIEGEL. Congressman, that was restricted as of the date when it was prepared. That is no longer applicable. If you have a copy marked "Restricted," that should simply be crossed out. This was prepared over the noon hour and we could not cut new stencils.

Mr. KEEFE. That is all right; I just wanted to know whether it was restricted information or not. There does not seem to be much information that is restricted, because everything that transpires here appears in all the newspapers in the country the very next hour after the witnesses leave. If it is restricted, I want to follow the injunction; if it is not, I want to use it.

Mr. SPIEGEL. I am very sorry, it was just a question of mechanical difficulty in getting stencils cut. We could not possible do it over the noon hour. That is why that still appears on there.

The CHAIRMAN. Does that mean that this is to be released when you go out?

Mr. SPIEGEL. It can be released, if you wish.

The CHAIRMAN. I do not.

Mr. SPIEGEL. Or you can put it in the record.

The CHAIRMAN. Will you give us a statement on this question, Mr. Spiegel.

Mr. SPIEGEL. Mr. Chairman, you asked me for a table this morning and I tried to get typed over the noon hour a table which would summarize these figures as best we could in brief compass.

What this tables tries to do is to explain the composition of the $2,136,800,000 figure, shown under the heading "Loans and credits," column 3 of the second table. If you will look in the third column, you will see at the bottom a total of $2,136,800,000 or roughly $2,137,000,000. This tables tries to give a summary of the composition of that figure.

The CHAIRMAN. That is a figure that is additional to any appropriated funds?

Mr. SPIEGEL. That is right.

The CHAIRMAN. And these moneys are supposed to be available for the use of European countries, is that correct?

Mr. SPIEGEL. We tried to examine the situation to ascertain all of the other sources of funds that we thought we could reasonably count on to finance European requirements. We made a deduction of that much because we did not think it was appropriate to ask the American taxpayer to foot a bill which might conceivably be financed in some other way.

The CHAIRMAN. That is the same table that appears on page D-6?

Mr. SPIEGEL. That is correct, sir.

The CHAIRMAN. You may put this break-down in the record at this point.

(The matter referred to is as follows:)

Sources of credits to finance ERP requirements outside of ECA funds and dollar earnings (April 1, 1948, to June 30, 1949)

[In millions of dollars]

Total estimated credits			2,136.8
Estimated credits from other Western Hemisphere countries			700
Canada		150	
Argentina		400	
Sale of British Railways (12 months)	300		
Italian credit	50		
French credit	25		
Netherlands credit	25		
Other		150	
Undisbursed Export-Import Bank credits, International Bank credits and private investments			500
Undisbursed Export-Import bank credits		125–175	
Undisbursed International bank credits		95	
Possible private investment (unguaranteed)		50–100	
Other		130–230	
Swiss Western Hemisphere surplus (derived from executive branch estimates of balance of payments on current account)			115
Possible Swiss credit		50–125	
Bizone-Garioa appropriation			822
Total			2,137

CREDITS FROM OTHER WESTERN HEMISPHERE COUNTRIES

Mr. SPIEGEL. The first item in this break-down is an estimate of what we may get from the other Western Hemisphere countries, a total of $700,000,000 in credits. That is during a 15-months' period.

I must explain that this is all on a 15-months' basis, Mr. Chairman; the table to which you have just referred indicates that.

The CHAIRMAN. You show credits from Canada of $150,000,000; Argentina, $400,000,000, made up of $300,000,000 through the sale of the British Railways, $50,000,000 Italian, $25,000,000 unused French credit, and $25,000,000 of a Netherlands credit.

Then you have other items approximating $150,000,000.

CANADIAN CREDIT

Mr. SPIEGEL. May I explain at this point, if you are thinking of going to the next $500 item, that the Canadian figure of $150,000,000 is a figure which is derived from the fact that the Canadian Government last year was facing a very serious drain on its foreign exchange resources and felt compelled to cut back on the credit which it had been extending to the United Kingdom. This is explained in the memorandum which was distributed at the beginning.

The Canadian Government has informed the British Government that after the middle of April it would have to cease entirely extending further credit under the previous agreement. Canadian advances to the United Kingdom in 1948 prior to this point are $52,000,000. They have said that in the case of the other credits to ERP countries of which there are a number—France, Belgium, the Netherlands, Norway—that they might extend approximately $75,000,000 worth of credit during the year.

There are gifts from Canada totaling about $20,000,000. This means that we should have a reasonably assured extension of credit by Canada of approximately $150,000,000.

The Canadian Government has indicated that it might be ready to reexamine the situation in September when it knows the size of its wheat crop this summer because, depending upon the size of the wheat crop, it might be able to renew extensions of credit to the United Kingdom.

The CHAIRMAN. What is the size of the wheat crop, or what was it last year?

Mr. ROSENSON. The exportable surplus after domestic use——

The CHAIRMAN. No; what was the size of the wheat crop?

Mr. SPIEGEL. I am sorry, I do not have that at my fingertips.

The CHAIRMAN. You do have the exports?

Mr. ROSENSON. Last year there were 220,000,000 bushels of wheat. That included some other cereals, but it was almost entirely wheat.

Mr. SPIEGEL. That means that the Canadian Government may, if they have a good crop, be prepared to extend additional credit. And that is part of the explanation of this other item of $150,000,000 which we have down here.

Furthermore, we hope that as a result of future negotiations with other of the Latin-American countries, we may find that they are prepared to make some credits or possibly gifts. It is impossible at this time for us to give detailed figures.

We have looked into the balance-of-payments positions of these countries insofar as we have data from them and this figure of $150,000,000 seems reasonable as a total of all other possible sources of credit. But we cannot make any detailed break-down and it will, in fact, be impossible to do that until after negotiations have been concluded.

ARGENTINE CREDIT

Mr. WIGGLESWORTH. That Argentine break-down would not indicate any new credit except as to Italy, would it?

Mr. SPIEGEL. The same comment applies in general to the Argentine figure. If there are additional extensions of credit in the case of Argentina, they would also be a part of this $150,000,000. We have listed all the significant items we knew about and the corresponding amounts on the basis of the latest information.

Mr. WIGGLESWORTH. The only new credit that you put down there is the Italian credit of $50,000,000, is that right?

Mr. SPIEGEL. That is a credit——

Mr. WIGGLESWORTH. That is the only new one?

Mr. SPIEGEL. The Netherlands credit is a new credit. The Italian credit was concluded in October 1947, but there is an unused balance under that credit which we are counting on here.

Mr. WIGGLESWORTH. Then the Netherlands credit is the only new one; is that correct?

Mr. SPIEGEL. That is correct.

Mr. WIGGLESWORTH. That is $25,000,000. And you have not conducted any negotiations with Brazil, Cuba, or any of these Latin-American countries? Have you any idea how much they propose to cooperate in this program?

Mr. SPIEGEL. No, sir; we have not felt that we have been able to carry on formal negotiations with them because of the status of the legislation. We would not have felt authorized to do so.

The CHAIRMAN. Are there any such negotiations currently in process?

Mr. SPIEGEL. There are no negotiations which are currently in process. We have from time to time discussed with the Canadians their financial position and we do from time to time get from certain of the Latin-American countries some information about their financial position as well, but there has been nothing in the way of a conclusive negotiation.

SHARE TO BE BORNE BY OTHER WESTERN HEMISPHERE COUNTRIES IN PROGRAM

Mr. WIGGLESWORTH. I notice that the House Committee on Foreign Affairs, in referring to this picture, on page 21 of its report says that—

> The $700,000,000 included in the Administration program as the share to be borne by other Western Hemisphere countries seems rather low in the light of the favorable international position of certain of the Latin-American countries (notably Cuba, Argentina, and Brazil), and in view of the plans to spend 1.7 billion dollars of the 6.8 billion dollars in offshore procurement in Latin-American countries.

Mr. SPIEGEL. Yes; I am aware of that statement. We have, in fact, had some discussions with the staff of the House committee. I do not know whether at this date they would be inclined to change their opinion on the basis of what the Canadian Government has recently said. On the basis of what we knew about the position, we felt that this $700,000,000 figure——

The CHAIRMAN (interposing). Just a moment. What they say there has relationship to the favorable international position of Cuba, Argentina, and Brazil and not Canada, so that what you were saying about Canada is hardly pertinent to their statement; is it?

Mr. SPIEGEL. The latest information from the Canadian Government that we have is to the effect that I previously indicated.

The CHAIRMAN. That may be true, but the countries to which they were referring in their report were Cuba, Argentina, and Brazil.

Mr. SPIEGEL. We have allowed in the $150,000,000 for something from Cuba and something from Brazil. We do not feel that we can specify at this time what we may be able to get from Cuba partly because in the Cuban case there is no central bank or developed market for government securities, as you know, and therefore no easy mechanism for the extension of these credits. But we do feel that we can expect something from Cuba and similarly from Brazil. On the basis of such information as we have about the balance-of-payments positions of those countries, we have felt that the total will probably not be as much as $150,000,000. If we could get more, we would be pleasantly surprised and I am sure everyone would be very happy.

The CHAIRMAN. The Foreign Affairs Committee even felt that that was low and this committee is supposed to be a little stiffer-bitted than the Foreign Affairs Committee. I am wondering what we ought to think.

Mr. SPIEGEL. Mr. Chairman, we have here in the room, in case you want to pursue this further at this time, Mr. Palmer, who knows about these Latin-American statistics and who may be able to answer any questions you wish to address to him respecting Cuba and Brazil or, for that matter, Argentina, or any other country in Latin-America. He is at your disposal.

CREDIT POSITION OF LATIN-AMERICAN COUNTRIES

Mr. WIGGLESWORTH. How many of these Latin-American countries have favorable international positions at the moment?

Mr. SPIEGEL. I wonder if we might ask Mr. Palmer to answer that question. If you do not mind, just before doing so, I would like to suggest to you that the Harriman committee figure, corresponding to the $700,000,000, is $450,000,000. It was some months ago when they made that estimate but you might be interested in that figure as another indication of opinion.

Mr. PALMER. When you ask for the favorable international position, do you mean balance of trade or dollar and gold position?

Mr. WIGGLESWORTH. Both.

TRADE POSITION OF CUBA

The CHAIRMAN. Let us start with Cuba. What is their position?

Mr. PALMER. Cuba has a favorable balance of trade and a favorable dollar and gold position. In other words, it has not been losing dollars or gold to finance its imports from the United States.

The CHAIRMAN. To what extent?

Mr. PALMER. I have not the figures before me, but they have ample dollar exchange.

The CHAIRMAN. Do you have the figures so that you could supply them for the record?

Mr. PALMER. Yes; we can supply that information, if you wish.

The CHAIRMAN. I want you to do it.

POSITION OF ARGENTINA

Let us turn to Argentina. What is her position?

Mr. PALMER. Argentina has been running a very sizable deficit with the United States and during the past year has had to liquidate

considerable of its gold and dollar holdings in order to finance its purchases in the United States.

The CHAIRMAN. What is its present position?

Mr. PALMER. The latest figures that we have are that as of the end of the year, apart from private holdings, it was estimated that Argentina had approximately $460,000,000 of gross gold and dollar exchange.

The CHAIRMAN. Has Argentina a substantial balance of sterling exchange?

Mr. PALMER. Yes.;

The CHAIRMAN. How much?

Mr. PALMER. It is approximately——

The CHAIRMAN. Five hundred million pounds, something like that?

Mr. PALMER. About 150,000,000 pounds less 40,000,000 pounds, which were to be paid out for the purchase of British railroads, which would leave them as of approximately 30 days ago with 112,000,000 pounds of accumulated sterling balances.

Mr. WIGGLESWORTH. How about the over-all balance of payments?

Mr. PALMER. Argentina's over-all balance of payments has been favorable but since 1945 they have been accumulating sterling balances and selling to Europe for soft currencies and credit, and although they have a favorable balance with the world, they have been running an increasing deficit with the United States, which has forced them to liquidate their currency reserves in order to finance their trade with us while selling to Europe either on credit or by the accumulation of soft currencies.

The CHAIRMAN. They have been buying a lot of things from people in this country that has thrown their position out of balance, such as the telephone and telegraph system, and that sort of thing. But proceed with what you have.

Mr. PALMER. In addition they had an unfavorable merchandise balance, besides the purchase of investments, which you noted.

The CHAIRMAN. Have they been encouraged by a lot of things they could get along without?

Mr. PALMER. I think they have ordered things that they wanted. I doubt if they have been encouraged to do so over the things they wanted to purchase.

POSITION OF BRAZIL

The CHAIRMAN. How about Brazil?

Mr. PALMER. Brazil has had the same problem as Argentina, in that Brazil has been forced to sell for soft currency in Europe along with liquidating its gold and foreign exchange to finance its purchases from the United States.

Mr. WIGGLESWORTH. How much gold and dollar exchange does Brazil have?

Mr. PALMER. I am sorry I do not have those figures.

Mr. SPIEGEL. We can supply that information.

Mr. WIGGLESWORTH. I think it would be a good plan, Mr. Chairman, to have such a table.

The CHAIRMAN. Of all South American countries giving a picture of both dollars——

Mr. WIGGLESWORTH. And sterling.

The CHAIRMAN. Yes.

Mr. WIGGLESWORTH. And balance of payments.

The CHAIRMAN. Plus or minus.

Mr. SPIEGEL. Insofar as the balance of payments is concerned, particularly for some of the smaller countries, there is almost no information available. They do not publish it, and we have no means of getting it, but we will do our best.

(The information requested is as follows:)

DATA REQUESTED BY HOUSE APPROPRIATIONS COMMITTEE; ERP FINANCING BY OTHER WESTERN HEMISPHERE COUNTRIES

The $700,000,000 estimate of ERP financing by other Western Hemisphere countries during the 15 months ending June 30, 1949, originally presented to the Foreign Affairs Committees in January 1948, is still considered by the executive branch to be a maximum in the light of subsequent developments. This sum is deducted from the ERP requirements for which an appropriation is being requested. This maximum can presumably be obtained only following negotiations between the countries concerned in which the question of offshore dollar procurement against ERP requirements will be an element.

To provide an indication of the financial position of the major Latin-American countries, there are attached financial and trade data in table form as follows:

1. Gold and foreign exchange as of December 31, 1947.
2. Exports and imports with the United States.
3. Total exports and imports.

With respect to the table on gold and foreign exchange holdings it may be noted that approximately $370,000,000 of the total official and private dollar balances consist of official holdings. This means that official holdings of nondollar currencies by the Latin-American countries can be estimated at $1,088,000,000. Detailed information respecting the sterling and other nondollar holdings of each of the Latin-American countries is not publicly available. Unofficial estimates from various published sources would indicate that at the end of 1947 Latin-American countries held sterling equivalent to $935,000,000 distributed roughly as follows: Argentina $600,000,000; Brazil $260,000,000; Uruguay $68,000,000; other Latin-American countries $7,000,000.

It will be observed that practically all the Latin-American countries except Cuba and Guatemala experienced a deficit in their trade with the United States in the calendar year 1947. Sizable surpluses in trade with all countries was experienced in 1947 only by Argentina and Cuba. Brazil and the Dominican Republic had much smaller but nevertheless significant surpluses.

Gold and foreign exchange of Latin-American countries as of Dec. 31, 1947

[United States dollars, millions]

Country	Official gold and foreign exchange [1]			Gross dollar holdings [2] official and private
	Total	Gold	Foreign exchange	
Argentina	1,049	319	730	236
Bolivia	31	23	8	18
Brazil	784	354	430	104
Chile	56	45	11	46
Colombia	110	83	27	46
Costa Rica	4	2	2	7
Cuba	347	279	[3] 68	234
Mexico	[4] 100	100	([4])	139
Peru	32	20	12	42
Uruguay	256	175	81	31
Venezuela	255	215	40	78
Other	117	68	49	218
Total	3,141	1,683	1,458	1,199

[1] Gross assets—International Monetary Funds statistics.
[2] As reported by United States banks to the U. S. Treasury.
[3] As of September 1947.
[4] Mexico's foreign-exchange holdings carried by Central Bank in "authorized investments" and therefore are not available.

Exports and imports—Latin America and U. S. A.[1] *calendar year 1947*

[Dollars, millions]

	Imports from United States of America	Exports to United States of America	Deficit with United States of America
Argentina	682.6	154.6	528.0
Bolivia	28.3	21.8	6.5
Brazil	644.0	445.6	198.4
Chile	123.9	122.3	1.6
Colombia	218.8	205.6	13.2
Costa Rica	35.0	19.7	15.3
Cuba	491.9	509.6	+(17.7)
Dominican Republic	49.3	30.2	19.1
Ecuador	39.9	18.4	21.5
Guatemala	41.5	44.0	+(2.5)
Haiti	25.2	20.1	5.1
Honduras	29.9	11.8	18.1
Mexico	627.4	246.7	380.7
Nicaragua	17.4	9.0	8.4
Panama	171.4	6.7	164.7
Paraguay	7.7	2.3	5.4
Peru	91.5	41.9	49.6
El Salvador	28.4	27.5	.9
Uruguay	75.4	37.7	37.7
Venezuela	426.8	173.6	253.2

[1] Department of Commerce Foreign Commerce Weekly, Apr. 17, 1948.

Total exports and imports of Latin-American countries,[1] *year 1947, except as noted*

[United States dollars, millions]

Country	Exports	Months	Imports	Months	Surplus or deficit
Argentina	1,587.9	12	1,308.3	12	+296.6
Bolivia [2]					
Brazil	1,145.8	6	1,096.6	11	+49.2
Chile	279.4	12	[3] 269.3		+10.1
Colombia	253.8	12	345.5	12	−91.7
Costa Rica	10.2	6	23.3	6	−13.1
Cuba	746.5	12	450.6	11	+295.9
Dominican Republic	83.0	12	48.7	12	+34.3
Ecuador	31.6	9	33.5	9	−1.9
Guatemala	42.0	9	41.6	9	+.4
Haiti	31.4	[4] 12	27.2	[4] 12	+4.2
Honduras	17.5	[5] 12	29.4	[5] 12	−11.9
Mexico	443.3	12	665.4	12	−222.1
Nicaragua	20.9	12	20.8	12	+.1
Panama	6.8	10	65.8	11	−59.0
Paraguay [2]					
Peru	139.6	11	152.0	11	−12.4
El Salvador	40.1	12	35.9	12	+4.2
Uruguay	124.9	10	198.5	11	−73.6
Venezuela [2]					

[1] Department of Commerce—Provisional figures for periods indicated by number of months—in some cases monetary gold and silver included.
[2] Not available.
[3] Not including United States $20,000,000 of imports from Argentina on credit.
[4] 12 months ending Sept. 30, 1947.
[5] 12 months ending June 30, 1947.

While balance of payments data provide a more comprehensive basis for estimating the ability of the Latin American countries to contribute to ERP financing such data are compiled by only a few of the Latin American governments. The data published are not on a current basis. Argentina, Chile, and Peru have only recently published figures for the year 1946. Colombia, Cuba, and Uruguary have done some statistical work on their balance of payments but complete information is not available in published form. Brazil, Mexico, and Venezuela, the other principal trading countries, as well as the remaining American Republics are not known to compile statistical information of this nature. The principal component of the Latin American balances of payments is foreign trade which is shown in the attached tables.

Argentina which is the principal supplier in South America for the ERP countries published figures for the year 1946 showing a favorable balance of trade equivalent to $585,000,000. Of this $262,000,000 represented trade with hard currency countries and $323,000,000 represented trade with soft currency areas. The net favorable balance of payments for this period including invisible items and capital movements was equivalent to $71,000,000. From the attached trade figures it appears likely that Argentina's deficit with the United States was materially higher in 1947 than in 1946.

Chilean balance of payments figures for the year 1946 show a deficit with all areas equivalent to $48,000,000 resulting principally from transfer of earnings to the United States, which transfers more than offset the approximately $8,000,000 favorable balance of trade for that year. It is anticipated that 1947 figures will show a larger balance of payments deficit than in 1946.

Peru during 1946 had a favorable balance of payments equivalent to $7,000,000 but it is believed to have experienced a deficit in 1947.

Additional balance of payments data are not available from published Latin American sources. The $700,000,000 estimate of financing by other Western Hemisphere countries which was made by the executive branch was based in part on preliminary estimates of the probable balance of trade position of the major Latin American countries during the 15-month period in question.

Canada's International Financial Position

Canada: Balance of payment with United States and ERP countries, 1947

[Millions of dollars]

	United States	ERP countries	Rest of world	Total
Receipts	1,686	1,492	515	3,693
Payments	2,841	506	275	3,622
Balance	−1,155	+986	+240	+71

(2) How deficit with United States in 1947 was discharged:

	Millions of dollars
Decline in gold and United States dollar reserves not including Export-Import Bank credit of $300,000,000	743
Net receipts of gold and convertible exchange from overseas countries	652
Gold subscription to IMF	−74
Other capital movements	−166
Total	1,155

(3) Postwar financial assistance to ERP countries:

Country	Total credit made available	Advances to Dec. 31, 1947
	Mil. of dols.	*Mil. of dols.*
Belgium	100.0	67.0
France	242.5	198.4
Netherlands	125.0	104.6
Norway	30.0	20.0
United Kingdom	1,250.0	963.0
Total, ERP countries	1,747.5	1,353.0
China	60.0	32.6
Czechoslovakia	19.0	12.1
Netherlands Indies	15.0	10.0
U. S. S. R	3.0	2.9
Total, including ERP countries	1,844.5	1,410.6

As of the end of 1947 Canada's gold holdings amounted to $294,000,000 and total official and private dollar balances to $409,000,000.

The CHAIRMAN. What is the Australian picture?

Mr. ROSENSON. The Australian picture?

The CHAIRMAN. Yes, if we can find that out.

Mr. ROSENSON. She is a member of the sterling area. May I just ask Mr. Spiegel if that is connected with possible aid from Australia.

Mr. SPIEGEL. I believe the chairman's question——

The CHAIRMAN. It might lead to that, but the idea is to get the picture.

Mr. ROSENSON. Australia is a member of the sterling area, and she has a very small gold and dollar reserve of her own. The reserve is kept with the United Kingdom as part of the general sterling area reserve, and she has been running a heavy deficit with the United States. In order to help stop the drain on the sterling-area gold and dollar reserves Australia has recently attempted to restrict purchases from the United States as much as possible and also to increase her exports to this country.

The CHAIRMAN. Australia in the old days used to have a favorable trade balance with us, did she not?

Mr. ROSENSON. I am sorry, sir, I do not know.

(The following was submitted later:)

EXTERNAL FINANCIAL POSITION OF AUSTRALIA

SPRING OF 1948

The latest available data for the Australian balance of payments refer to the fiscal year ending June 30, 1947. This information is summarized in the attached table I. It will be seen that in fiscal 1947 Australia had a small surplus on current account. If account is taken of capital transactions, however, Australia had a net deficit of approximately $80,000,000.

Table II shows the distribution of Australian imports and exports by geographic areas for calendar 1947. The outstanding feature of this table is the heavy trade deficit with the United States. As Australia is a member of the sterling area and pools her dollar resources with those of the United Kingdom and other members of the sterling area, this deficit aggravated the drain on the United Kingdom's gold and dollar resources in 1947.

In order to conserve dollar exchange the Australians have taken steps to restrict severely the importation of nonessential dollar goods and to encourage exports to the United States.

Australian short-term assets in the United States are very small. At the end of 1946 such assets, official and private, amounted to $45,000,000. In September 1947 the corresponding figure was $47,000,000. Presumably these assets represent chiefly working balances for carrying on the trade between the two countries.

TABLE I.—*Australian balance of payments, fiscal year 1946–47*

[Millions of dollars rounded]

	1938–39	1946–47
Current receipts:		
Exports (f. o. b.)	395	780
Gold produced	50	30
Other credits, interest, etc	40	45
Total	485	855
Current payments:		
Imports (f. o. b.)	355	615
Freight, insurance, etc	50	85

TABLE I.—*Australian balance of payments, fiscal year 1946–47*—Continued

[Millions of dollars rounded]

	1938–39	1946–47
Tourist expenditures (net)	15	20
Interest, dividends, etc	135	115
Total	555	835
Balance on current account	−70	+20
Capital receipts: Public and private borrowing overseas and other remittances	3	170
Capital payments: Overseas expenditures, including lend-lease settlement and United Kingdom gift	6	250
Balance on capital account	−3	−80

TABLE II.—*Australian trade, in calendar year 1947—Partly estimated*

[Millions of dollars rounded]

Area	Imports	Exports	Balance
United States of America	235	125	−110
United Kingdom	290	345	55
Canada	60	15	−45
Other	(1)	(1)	(1)
Total	(1)	(1)	(1)

[1] Not available.

EXTERNAL FINANCIAL POSITION OF SOUTH AFRICA

The CHAIRMAN. What about South Africa?

Mr. ROSENSON. South Africa has a sizable gold reserve of her own; she has been running a deficit with the United States, and also a trade deficit with the United Kingdom. She recently made a loan of some $325,000,000 to the United Kingdom in gold.

(The following was submitted later:)

EXTERNAL FINANCIAL POSITION OF SOUTH AFRICA

SPRING OF 1948

Although South Africa is one of the largest gold producing countries in the world, with an average production of approximately $400,000,000 per annum in recent years, its gold reserves declined from $939,000,000 at the end of 1946 to $761,000,000 at the end of 1947. The chief reasonf ror theis decline, as indicated in the attached table, has been a heavy trade deficit with the dollar area. Inasmuch as South Africa depends heavily on the United States for steel, other fabricated metal products, and machinery, for equipping its mines and industries, it is anticipated that this deficit will continue in 1948.

In February 1948, South Africa's total foreign exchange holdings amounted to $280,000,000, of which the great bulk was in sterling. Short-term dollar assets—official and private—amounted to $38,000,000 as of September 1947. The corresponding figure for recent years has been similarly small, since South Africa maintains only minimum working balances in the United States.

On February 14, 1948, South Africa transferred $325,000,000 in gold to the United Kingdom as a 3-year loan. This transfer reduced South Africa's gold reserves to $448,000,000 at the end of February, the lowest figure since 1941.

South African trade in 1947

[Millions of dollars]

Area	Imports	Exports	Balance
United States	415	110	−305
Canada	65	5	−60
Argentina	20	5	−15
Other Western Hemisphere	40	5	−35
Total Western Hemisphere	540	125	−415
United Kingdom	365	100	−265
Rest of world	205	135	−70
Total all areas	1,110	360	−750

UNDISBURSED EXPORT-IMPORT BANK CREDITS, INTERNATIONAL BANK CREDITS AND PRIVATE INVESTMENTS

The CHAIRMAN. You have here the undisbursed Export-Import Bank credits, International Bank credits and private investments, $500,000,000. What can you tell us about that; do you have that broken down?

Mr. SPIEGEL. In the case of the Export-Import Bank credits, we have talked to the Export-Import Bank people; and they publish a statement regularly, giving figures on the undisbursed balances of existing loans.

The CHAIRMAN. You mean existing loans authorized, do you not?

Mr. SPIEGEL. No, on contracts which they have concluded.

The CHAIRMAN. I see.

Mr. SPIEGEL. With the ERP countries.

We have taken the information which they have provided on these undisbursed balances, and tried to find out approximately what the expectation might be. It is very difficult to say, during any particular month, how fast a given loan is going to be drawn down. What we have done is to arrive at this range of $125,000,000 to $175,000,000 as being an approximation of what we might expect during this period.

The International Bank likewise publishes a statement. The one I have here is for the end of March. The same situation is applicable there.

The CHAIRMAN. Do you have those statements with you?

Mr. SPIEGEL. I have here the March statement of the International Bank, which shows on the last page, in the last column, a break-down of the undisbursed balances.

The CHAIRMAN. You might put that in the record.

(The statement referred to follows:)

International Bank for Reconstruction and Development—Financial report on status of loans as of Mar. 31, 1948

[Expressed in United States currency]

Borrower	Loan commitment	Disbursement	Unused balance of commitment
Credit National (France)	$250,000,000	$250,000,000	
Kingdom of the Netherlands	195,000,000	138,459,092	$56,540,908
Kingdom of Denmark	40,000,000	7,322,104	32,677,896
Grand Duchy of Luxemburg	12,000,000	7,032,517	4,967,483
Total	497,000,000	402,813,713	94,186,287

The CHAIRMAN. Do you have a statement for the Export-Import Bank?

Mr. SPIEGEL. I do, Mr. Chairman; but it is complicated and long. You will find the European countries which we are talking about listed in the middle of that report.

The CHAIRMAN. That is what you would be shooting at in this language here?

Mr. SPIEGEL. That is right. For this purpose we disregard entirely South America and Asia. It is only the participating countries that we have considered in this break-down.

Mr. WIGGLESWORTH. I notice this in the report of the Foreign Affairs Committee:

> The Administrator outlined the loans to go to resources of the International Bank and the Export-Import Bank, and estimated the amount given here would provide only $500,000,000, in the latest information only recently made public, and this appears to be a conservative estimate.

And it goes on to say that—

> the International Bank had a net free United States dollar balance on December 31 last of $490,000,000, and the Export-Import Bank, as of the same date had a free loan bank balance of $497,000,000, or $987,000,000 of free balance between the two.

Mr. SPIEGEL. May I make a statement in respect to that observation, Mr. Chairman?

The CHAIRMAN. Well, Mr. Wigglesworth asked you a question, and if you know the answer, all right.

Mr. SPIEGEL. The question of what the International Bank could be expected to do has been discussed with Mr. McCloy, president of the bank, and Mr. McCloy has made the statement to the Foreign Relations Committee that our estimates, in his judgment, are high rather than low.

Mr. STEFAN. The $500,000,000?

Mr. SPIEGEL. That is right.

The House Foreign Affairs Committee reached a different conclusion, but in view of Mr. McCloy's responsibilities we felt that there was no other conclusion that we could draw than the one we have indicated in the table.

The CHAIRMAN. That is, $95,000,000 from the International Bank.

Mr. SPIEGEL. Mr. Chairman, that is the undisbursed balance, and any new loans which the International Bank might make would come out of the other item of $130,000,000—$230,000,000 which is at the bottom of the list.

The CHAIRMAN. Under possible private investment you have down here $50,000,000 to $100,000,000.

Mr. SPIEGEL. That is the estimate; yes.

Mr. STEFAN. Of the unguaranteed?

Mr. SPIEGEL. The word "unguaranteed" refers to the fact that in the authorizing legislation there is a provision for guaranteeing the convertibility into dollars of foreign investments.

In his testimony before the Foreign Affairs Committees, Ambassador Douglas estimated that private investments, which we might reasonably expect, which were unguaranteed and not included under the provisions of the authorizing legislation, would be in this range of $50,000,000 to $100,000,000. And we have therefore included that amount in this break-down.

Mr. WIGGLESWORTH. Is that the distinction between the collateral loans the Foreign Affairs Committee refers to?

Mr. SPIEGEL. The Foreign Affairs Committee—you are talking about the House Committee?

Mr. WIGGLESWORTH. Yes; I am.

POSSIBILITY OF BRITISH GOVERNMENT RECEIVING CREDIT ON COLLATERAL TYPE OF LOANS

Mr. SPIEGEL. The Foreign Affairs Committee did refer to collateral loans of the type which the RFC once made to the United Kingdom. Apparently the RFC is no longer legally authorized to make further credits of that type and we have therefore felt we could not include them as reasonable sources of funds.

The CHAIRMAN. If they have a collateral value of $900,000,000 against which are outstanding loans of $176,000,000, and the Foreign Affairs Committee estimates that the collateral could support loans of as much as $700,000,000, it would look like there might be an opportunity to go to private bankers and get loans at least to the extent of four hundred or five hundred million in place of the $176,000,000. I do not know why such an approach as that has not been made. Perhaps it might run as high as $600,000,000, and I am wondering if they ought not to explore such a possibility.

Mr. SPEIGEL. I am unable to tell you at the moment whether there has been an exploration of that possibility with the private banks of this country by the British Government, which I presume you were referring to.

The CHAIRMAN. That is what I was suggesting. It would seem as if we ought to operate on the basis of making this transaction as near a business-like operation as possible.

Mr. SPIEGEL. As you are aware, Mr. Chairman, the British Government did during the war actually sell assets rather than put them up as collateral, in addition to——

The CHAIRMAN. I appreciate that.

Mr. SPIEGEL. The problem which you present does raise the question of the assets not only of the British Government but, I presume, of the other ERP countries as well.

The CHAIRMAN. Certainly.

Mr. SPIEGEL. That is a question on which the Secretary of the Treasury testified to the Foreign Affairs Committees, and I presume he would be prepared to testify on that question to this committee, if you so desire.

The CHAIRMAN. If there is an answer to what I suggest why do you not tell us, if you know? I asked you the question, and if there is an answer the best way is for you to tell us.

Mr. SPIEGEL. So far as I know, sir, the question of whether or not the British Government could get further credit on a collateral-type loan was previously raised with the United States Government agencies concerned, and it was ascertained that there was no legal authority so far as the RFC was concerned, and I believe the question has been dropped. I do not think that at the moment, and I would hesitate to say——

The CHAIRMAN (interposing). Do you mean to intimate that when we are considering embarking upon a program involving fifteen,

sixteen, or seventeen billion dollars in requests that we should not rather expect these countries to do what they can toward financing the program?

Mr. SPIEGEL. Mr. Chairman, we certainly think we should, but the question of what the private banks would be willing to do is, frankly, a difficult one to answer.

The CHAIRMAN. It is not hard to find out. I would undertake to find it out in 24 hours if I were running the show, and I do not know but what the Secretary of the Treasury or the Secretary of State could find out.

Mr. STEFAN. I was wondering if the New York banks are asking for any security or guaranty from the State Department?

The CHAIRMAN. They could ask for that, but the question I have in mind is here they have collaterals in the RFC running to $900,000,000, against which there are $176,000,000 in loans, and the question I raised was why they could not go to the banks and increase that to four, five, or six hundred million dollars?

Mr. SPIEGEL. I think the question the chairman has raised is whether the RFC would give up the collateral which has been turned over to them, to a private institution.

The CHAIRMAN. Of course the loan would have to be paid off if they give us the collateral.

Mr. SPIEGEL. That is one of the difficulties.

The CHAIRMAN. But there are $300,000,000 between the $176,000,000 and the $500,000,000.

Mr. STEFAN. Do you know what that collateral is?

Mr. SPIEGEL. No, I am not able to answer, but I am sure the RFC could supply that information to you.

The CHAIRMAN. But it is American securities largely?

Mr. SPIEGEL. Presumably it is dollar-type collateral of some sort.

Mr. STEFAN. Are they bonds?

Mr. NITZE. I think they include some insurance assets.

Mr. CASE. They should be good.

Mr. WIGGLESWORTH. They are not chicken feed.

Mr. SPIEGEL. No, they certainly are not.

SUMMARY OF VALUES OF COLLATERAL FOR BRITISH LOAN

Mr. STEFAN. Can you get that information for us, and put a statement in the record showing what the collateral is?

Mr. SPIEGEL. Yes.

(The information requested follows:)

RECONSTRUCTION FINANCE CORPORATION,
Washington 25, D. C., March 17, 1948

BRITISH LOAN

The following is a summary of values of collateral for the British loan based on holdings as of December 31, 1947. The appraisal was made March 10, 1948:

1. British-owned shares in United States insurance companies_ $189, 519, 691. 93
   This figure was arrived at by taking the entire net worth of the various companies and dividing the number of shares held by RFC by the total number of shares outstanding so that this figure represents the RFC-held interest in the net worth. The appraisal was made on Dec. 31, 1947, figures.

British Loan

Summary of Values of Collateral based on holdings as of 12-31-47.

Current Prices of Listed Stock & Values of Companies in last report

Schedule	Net Worth Entire Co	BFC Interest in Net Worth	Market Value (Latest Quotation)	Total Value BFC
C-1 (British Owned Share of U.S. Insurance Co)	$[illegible]	$[illegible]		$[illegible]
B-2(a) (British Controlled Corp)		$[illegible]	[illegible]	$[illegible]
B-2(b) (Substantial British Interest in Corps)		3,943,[illegible]	[illegible]	11,551,816.52
B-3 (British Interest in other Corporations)			$3,390,056.69	$3,390,056.69
C (U.S. Branches of British Insurance Companies)	$1,966,530.96	$1,966,530.96		$1,966,530.96
	4,296,148,491.4	$1,459,360.00	$4,131,607.82	$590,967.82
Grammar Value in T 10 H, 1-13-47				$[illegible]
" " "		[illegible]		$[illegible]

These work papers were prepared 3 [illegible]

JG

[illegible]

Schedule 7

BRITISH LOAN

BRITISH OWNED SHARES OF U. S. INSURANCE COMPANIES

B 1

NAME OF COMPANY	SHARES OUTSTANDING	PAR VALUE	CAPITAL	SURPLUS 12/31/47	%	4+5 TOTAL CAPITAL STOCK & SURPLUS 12/31/47	UNEARNED PREMIUMS 12/31/47	3+7 REASONABLE VALUE OF PREMIUM	6+8 NET WORTH ENTIRE CO. 12/31/47	NO. OF SHARES PLEDGED TO R.F.C.	R.F.C.'S INTEREST IN NET WORTH AT PERCENT	AMOUNT	PRESENT PER LOSSES
(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
American Foreign Ins. Co. of N.Y.	15000	100	1500000	5161713.04	%	5661713.04	3064447.47	8072555.59	6133.768.63	14900	99.333	6018154.39	175396.00
Capital Fire Ins. Co. of Cal.	10000	100	1000000	2053014.91	%	3053014.91	9070035.04	3181631.31	2371176.77	9955	99.550	2360565.13	300.00
Eagle Indemnity Co.	10000	50	500000	3371513.79	%	4371513.79	5387.00	8358825.25	5164402.14	19905	99.025	5137371.53	000.00
Federal Union Ins. Co.	2000	100	1000000	1194103.90	%	2194103.90	4856.08	1228635.63	2322241.53	9955	99.550	2309320.73	300.00
Globe and Co.	25000	100	2500000	1541613.15	%	4041613.15	4345.00	5015295.22	2591524.40	77595	99580	2512226.00	600.00
Newark Fire Ins. Co.	40000	5	200000	4327455.27	%	6327455.27	6659.07	2330274.88	8667733.15	39594	99609	3633642.31	913.00
Queens Ins. Co. of America	50000	100	5000000	7158954.33	%	12158954.33	17209.13	6058484.30	18217768.63	49555	99755	18175568.45	519.00
Royal Indemnity Co.	25000	100	2500000	4351147.17	%	6851147.17	13134.99	4541353.55	7392.48	24214	99656	7368295.29	943.00
Seaboard Ins. Co.	6000	100	600000	7078479.29	%	13078479.29	15143.43	285300.20	1553147.59	5935	989.6	1535677.51	962.00
Star Ins. Co. of America	10000	100	1000000	1583374.63	%	2583374.63	5038.98	1760799.63	4647154.26	9955	99350	4613.07.26	1513.00
American Central Ins. Co. of St. L.	10000	50	1000000	3557019.94	%	4557019.00	5001.00	1870612.50	5377167.94	19955	99.76	5313644.00	5317.00
Pacific Ins. Co.	25000	40	1000000	1579.79.74	%	2579.79.74	3146.00	1107618.00	3928402.42	39944	99.80	3919.75.73	5069.00
Columbia Casualty Co.	10000	100	1000000	3791435.53	%	4791435.53	3414.98	1745613.55	5148712.28	9994	99960	5145192.73	990.00
Commercial Union Fire Ins. Co. of N.Y.	10000	100	1000000	4692583.39	%	5692583.39	4514.00	5179534.50	2349167.82	9935	98.35	2310895.47	503.00
Commonwealth Ins. Co. of N.Y.	10000	100	1000000	3945551.88	%	4945551.88	3561.77	1351677.48	6307135.36	9935	99350	6266.38.98	6700.00
Homeland Ins. Co. of America	10000	100	1000000	1739.971.00	%	2739.971.00	1534.77	764205.66	3903676.96	9935	99350	3878.05.76	3667.00
Mercantile Ins. Co. of America	10000	100	1000000	3473397.44	%	4473397.44	3755.93	1319654.80	5317052.24	9935	99350	5279436.00	6776.00
Penn Fire Ins. Co.	10000	100	1000000	7816639.86	%	8816639.86	9685.95	3390010.08	12206695.69	9955	99550	12151513.38	1345.00
Columbia Ins. Co. of N.Y.	2000	100	200000	6735.7.68	%	8735.7.68	7054.35	729593.73	2402156.41	9935	99350	2387.38.49	3999.00
Imperial Assurance Co.	10000	100	1000000	9539.9.58	%	1539.9.58	9.96	5054.81	2858.167.37	9.95	99.00	2800428.69	7557.00
Phoenix Indemnity Co.	10000	100	1000000	1547440.00	%	2547440.00	4371.17	1530570.95	5353.652.57	10000	100.00	5353652.57	5539.54
United Firemen's Ins. Co. of Phila.	10000	10	1000000	7549.7.15	%	1759.7.15	3.79	5855.85	1077635.60	2859.862.75	3795.%	3795.50	5308.50
Potomac Ins. Co. of D.C.	6000	25	150000	4914850.35	%	5064850.35	4531.09	1120.82.45	6035.72.43	7990	13316	80570.65	634.71.73
Orient Ins. Co.	10000	100	1000000	7638.737.48	%	8638.737.48	3435.00	1202.25.00	9540987.28	9955	99.550	9492202.87	7679.50.00
Safeguard Ins. Co. of N.Y.	2000	100	1000000	1311760.67	%	2311760.67	4931.50	560937.50	2912158.35	7454	74.50	2082452.87	1174.00
Eureka-Security Fire & Marine	20000	250	1000000	1786391.54	%	2786391.54	5585.50	1790933.08	4777333.32	19997	6911	2338571.11	5405.00
Monarch Fire Ins. Co.	20483	4	81933.36	407167.33	%	1324.9.73	2455.30	859.184.53	2088.678.30	10010	10.03	2107.23.47	3677.00
Sun Indemnity Co. of N.Y.	15000	100	1500000	1394441.47	%	2394441.47	7658.09	565337.26	3693779.18	15000	15.00	3693779.18	4816.19
Sun Underwriters Ins. Co.	6000	100	600000	398.03.76	%	998.03.76	1119.03	426730.62	1415334.38	5935	5935	1391.6	1399.92
American Union Ins. Co. of N.Y.	10000	100	1000000	3300435.03	%	3300435.03	7479.60	861773.26	3564.08.79	9955	99.50	3531.65.39	6795.00
Central Union Ins. Co.	5000	100	500000	1158.46.55	%	1658.46.55	3460.97	1221.32.74	1809.80.16	4955	99.00	1791.41.31	3311.00
Provident Fire Ins. Co.	20000	50	1000000	3744.4.74	%	4744.4.74	1583.63	635.386.38	2408.568.12	19000	9500	2.92.261.53	6237.00
Manhattan Fire & Marine Ins. Co.	10000	100	1000000	987468.17	%	1987468.17	1974.17	650.366.30	2628.254.47	9955	99.50	2614.56.01	4897.00
Seaboard Fire & Marine Ins. Co.	100000	10	1000000	1476.07.30	%	1476.07.30	1580.36	649.421.13	2085.828.33	39944	39.94	832169.21	5111.14
Yorkshire Indemnity Co. of N.Y.	7500	100	750000	1941.75.58	%	1691.75.58	1640.59	582.220.71	2274.000.99	4500	60.00	1364.40.59	1853.00
Eagle Fire Co. of N.Y.	100000	10	1000000	3981.87.76	%	4981.87.76	1560.34	328.28.06	1.31.538.20	99955	99.95	1.06.138.20	1468.51
Northern Union Indemnity	5000	100	500000	6787.9.94	%	1187.9.94	5176.41	181.165.25	1354.985.19	5000	100.00	1354.985.19	9405.00
Albany Ins. Co.	10000	50	1000000	1549999.85	%	2549999.85	1079.35	376.325.30	1526.31.6.15	16.70	8.35	2.6.15.01.7	1768.00
Prudential Ins. Co. of Great Britain in N.Y.	6000	100	600000	1649.37.49	%	2249.37.49	4554.17	1681.856.16	3930.831.07	5.94	19.76	3881.73.00	1005.73.00
Caledonian American Ins. Co. of N.Y.	5000	100	500000	3384.59.55	%	8384.59.55	7614.09	265.341.83	1108.07.647	9.94	9.83	6.64.84.76	1356.00
Totals B-1	1805532		74862036	43.5.5.7.73		85.37.5.7.33	117.07.99.65	2.4.7.6.55	7.4.8.31.8.8			7.4.5.19.7.73	3.7.0.5.7.0.1

Sheet 3 of 9

BRITISH LOAN

The [illegible] Controlled Corporations

NAME OF COMPANY	SECURITY	NO. SHARES AT TIME OF PLEDGE	MARKET VALUE AT TIME OF PLEDGE	NO. SHARES AT 12-31-47	VALUE PER SHARE	MARKET VALUE AT 12-31-47	BOOK VALUE BASED ON STATEMENT DATED	BOOK VALUE AMOUNT				
[illegible]												
United States Potash Co., Inc., 6%	Preferred	[illegible]	[illegible]	— o —								
[illegible] States Potash Co., Inc.,	Common	76470	8045	1[illegible]	[illegible]	666165.00	[illegible]	— o —				
[illegible] & Pine Land Company of Mississippi	Capital	4976	4976	4976			[illegible]	[illegible]				
[illegible] Planting Company, Inc.	Common	3434	357 34									
The [illegible] Thread Co., Inc.	Capital	70000	1,355200	[illegible]			[illegible]	[illegible]				
Yardley of London, Inc. 4½%	Preferred	10595	305950	30595			[illegible]	[illegible]				
Yardley of London, Inc.	Common	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]				
Harry Ferguson, Inc.	Common Class "A"	6000	67000	501			[illegible]	[illegible]				
Harry Ferguson, Inc. 5% cumulative	Preferred	— o —	— o —	[illegible]			[illegible]	[illegible]				
Harry Ferguson, Inc.	Common Class "B"	1500	66750	500			[illegible]	[illegible]				
The E. T. French Company	Capital	3500	3375000	3500			[illegible]	[illegible]				
Atlantic Sales Corporation	Capital	50	5000	50			[illegible]	74580				
Oldbury Electro-Chemical Company	Capital	5400	1,950,900	5400			[illegible]	[illegible]				
Lee & Perrins Inc.	Common Class "A"	4107	356583	4107			[illegible]	[illegible]				
Lee & Perrins Inc.	Common Class "B"	5	845	5			[illegible]	1285				
Artwright Finishing Company	Capital	7000	594750	7000			[illegible]	[illegible]				
Interlakes Mills	Capital	197[illegible]	[illegible]	19167			[illegible]	[illegible]				
The Distillers Company, Limited.	Capital	850450	3719[illegible]	850450			[illegible]	[illegible]				
Morganite, Inc.	Capital	7503	804375	10000			[illegible]	[illegible]				
B. Priestly & Co., Inc.	Capital	7500	135750	7500			[illegible]	[illegible]				
Firth-Sterling Steel Company 7% cumulative	Preferred	4531	453100	— o —								
Firth-Sterling Steel Company	Common	407[illegible]	1554993[illegible]	— o —								
Keasbey & Mattison Company	Capital	70140	563400	70140	8.00	1611200.00						
Punch, Edye & Company, Inc.	Capital	1000	51000	10000			[illegible]	[illegible]				
Twenty-Five Broadway Corporation	Capital	11309	4,[illegible]	11309			[illegible]	5100[illegible]				
Baker Perkins, Inc. 7% cumulative	Preferred	1047	104900	— o —								
Baker Perkins, Inc.	Common	64946	3008364	64946	31.00	1997206.00						
The Pacific Molasses Company, Ltd.	Capital	3750	461715.75	37500			[illegible]	1780[illegible]				
A.J. White Limited of New York	Capital	500	35500	500			[illegible]	[illegible]				
Wenley and James Limited of New York	Capital	1550	66650	1550			[illegible]	407[illegible]				
Hecht, Levis & Kahn, Inc.	Capital	4000	453000	4000	1.00	4000.00						
Crown Mills, Inc. 7% cumulative preferred	Capital	5000	500000	— o —								
Crown Mills, Inc.	Capital	9997	1,[illegible]	— o —								
F. H. Berk & Company, Inc.	Capital	100	374700	100			[illegible]	[illegible]				
American Association, Inc.	Capital	151841	1,0[illegible]	151841			[illegible]	[illegible]				
Wiom Insulator Company	Capital	5359	10[illegible]	5359	110.00	589490.00						
C. Tennant Sons & Co. of New York	Capital	7167	791[illegible]	7129			[illegible]	[illegible]				
The American Thread Company, 5% Cumulative	Preferred	47747	4135355	363039	4[illegible]	1769815.13						
The American Thread Company,	Common	1,197375	4,[illegible]3075	1197375	[illegible]		[illegible]	[illegible]				
Tetley Tea Co. Inc. 8% cumulative	Preferred	4580	458000	4580			[illegible]	458000				
Tetley Tea Co. Inc.	Common	4000	548000	4000			[illegible]	[illegible]				
			[illegible]			17,633,391.13		[illegible]				

Sheet 4 of 9

BRITISH LOAN

R 2 a iv

NAME OF MARKET	SECURITY	NO. SHARES AT TIME OF PLEDGE	MARKET VALUE AT TIME OF PLEDGE	NO. SHARES AT 12-31-47	VALUE PER SHARE	MARKET VALUE AT 12-31-47	BOOK VALUE BASED ON STATEMENT DATED	BOOK VALUE AMOUNT	
R-24 (cont.)									
Dup. T. Co.			$ 21,442,930.77			$17,633,391.13		$21,445,120.94	
Dunlop Tire & Rubber Corporation 8% Cumulative 1st.	Preferred	610	60	610			1-3-48	—0—	
Dunlop Tire & Rubber Corporation 8% Cumulative 2nd	Preferred	31,600	31,600	31,600			1-3-48	—0—	
Dunlop Tire & Rubber Corporation	Common	197,334	197,334	197,334			1-3-48	—0—	
J. & P. Coats (Rhode Island) Incorporated,	Capital	144,991	1,603,752	144,991			6-29-47	18,286,809.35	18,879,067
Clark Thread Company	Capital	179,991	959,953	— 0 —	—		—	—	
The Clark Thread Company of Georgia,	Capital	1,605	1,605,000	— 0 —	—		—	—	
The Clark Thread Company	Capital	— 0 —	— 0 —	1,607			12-31-46	12,821,271.35	
North Georgia Processing Company, Inc.	Capital	800	25,000	800			6-29-47	410,224.40	
Stowell-MacGregor Corporation,	Common	4,399	51,945,350	4,399			6-29-47	137,449,532	960,062.62
The Spool Cotton Company	Capital	491	47,719,350	491			6-29-47	381,552.14	282,769.79
Jonas Brook & Bros. (U.S.A.) Inc.	Capital	94	9,400	94			12-31-46	1,073,562	11,668.50
SUB TOTAL			$ 299,667,077			$17,633,391.13		$13,146,016.07	
Securities Other Than Stock									
Delta & Pine Land Co.,	First Mtg.		3,000,000					2,687,633.12	
Delta & Pine Land Co.,	Demand Note		800,000					1,412,231.00	
American Association Inc., Income Debentures			1,470,450					1,420,250.00	
Assignment of Pine Cotton Spinners and Doublers Association of money due from Delta & Pine Land Co. of Mississippi			1,946,000					1,946,000.00	
Assignment from Dunlop Rubber Co., Ltd. of money due from Dunlop Tire & Rubber Corp.			4,347,350.40					2,597,350.40	
GRAND TOTAL			$ 315,793,251.17			$17,633,391.13		$22,224,059	
				Registered at Book Value				14,224,059.09	
				Market Value				17,633,391.13	
				Total				31,857,451.22	
				Value at Time of Pledge				31,793,251.17	
				Appreciation				64,200.05	

Sheet 5 of 9

[illegible]

[illegible] Substantial

A[illegible]ANY	[illegible]ITY	[illegible] AT [illegible]	MARKET VALUE AT [illegible]	[illegible] AT 12-31-47	VALUE PER SHARE	MARKET VALUE AT ~~12-31-47~~ December	BOOK VALUE BASED ON STATEMENT DATED	AMOUNT
B-28								
[illegible] Company of New York	Common	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] Company	Capital	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible] Corporation, [illegible] Cumulative	Preferred	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
[illegible] Corporation	Common	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] Company,	Common	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
[illegible] Company, Inc. [illegible] Preferred							[illegible]	[illegible]
[illegible], Inc.	Common	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
[illegible] Corporation	Capital	[illegible]	[illegible]				[illegible]	[illegible]
[illegible], Inc.	Series [illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
[illegible], Inc.	Series "A" Capital	[illegible]	[illegible]				[illegible]	[illegible]
Sub-total			6,[illegible]69,913			$108,160.00		3,665,616.52
[illegible] Bank								
[illegible] Ventures			[illegible],000.00	[illegible]		$108,000.00		[illegible]
Total			6,943,069.13					3,743,616.52

Book Values	3,743,616.52
Market Values	$108,000.00
Total	3,851,616.52
Market Value at time of Pledge	6,943,069.13
Appreciation	3,091,452.61

Sheet [illegible] of [illegible]

[illegible] LOAN

[illegible] Corporations

[illegible] Y	SECURITY	NO. SHARES AT TIME OF PLEDGE	MARKET VALUE AT TIME OF PLEDGE	NO. SHARES AT 12/31/47	VALUE PER SHARE 12/31/47	MARKET VALUE AT 12/31/47
B-3					as of [illegible]	
Allied Stores Corporation	Cumulative Preferred	35000	2905000			
Allis-Chalmers Manufacturing Company	Common	9000	284200	19000	35	665000
Amerada Petroleum Corporation	Common	133000	7980000	266000	89 bid	23674000
American & Foreign Power Company, Inc.	$7 - 1st Cum. Preferred	00000	1937500	00000	71½	7150000
American Locomotive Company	7% Cum. Preferred	4800	436800	4600	97 bid	252200
American Locomotive Company	Common	-	-	8400	20	168000
The American News Company	Capital	10000	450000	20000	32 bid	640000
The American Rolling Mill Company	Common	133000	1945125	33000	28½	3740500
American Smelting and Refining Company	Common	56000	2424000	56000	51	2856000
The American Sugar Refining Company	Cumulative Preferred	4000	354000	4000	119 bid	476000
American Telephone & Telegraph Company	Capital	70000	10911750	70000	150¼	10525000
The American Tobacco Company, Common "B"-Non Voting		34000	2414000	34000	62¾	2133500
Arkansas Power & Light Company, $7 Cumulative Preferred		6000	544000	3975	113	447175
Barnsdall Oil Company	Common	50000	493750	50000	35¾	1764500
Briggs Manufacturing Company	Capital	34800	691650	34800	28¾	1000500
Chrysler Corporation	Common	36000	2007000	72000	55¾	4014000
Columbia Gas & Electric Corporation, Cumulative Preferred "A"		19000	1501000	-	-	
C. I. T. Financial Corporation	Common	59000	1934750	59000	40	2360000
Commonwealth & Southern Corporation, $6 Cumulative Preferred		50000	3050000	50000	102¼	5112500
Consolidated Gas Electric Light and Power Company of Baltimore,	Common	11000	649000	11000	64⅝ bid	704500
Continental Baking Company, Cumulative Preferred		12000	1241200	-	-	
Eastman Kodak Company	Common	37000	7980000	285000	32⅞	10854737 50
Electric Power & Light Corporation, $6 Cumulative Preferred		15000	495000	15000	136	2040000
The Flintkote Company	Common	47000	401625	47000	33 bid	841000
First National Bank of the City of New York, Capital		1300	1924000	1300	1225 bid	1542500
General American Transportation Corporation, Common		10000	535000	10000	51½	515000
General Motors Corporation	Common	434000	16926000	434000	52⅞	22584275
Gillette Safety Razor Company, $5 Dividend Cumulative Convertible, Preference		30000	1245000	30000	94⅝ bid	2821125
[illegible] T. Grant Company	Common	11800	401200	23600	25¼ bid	595900
Great Northern Railway Company, $6 Preferred		44000	1171500	44000	38	1672000
Ingersoll-Rand Company-	Common	54000	5805000	54000	120¾ bid	6493500
Loew's Incorporated	Common	34000	1088000	104000	17½	1785000
P. Lorillard Company	Common	12500	245000	12500	18⅝	225781 25
Marlin-Rockwell Corporation	Common Capital	7000	395500	7000	54 bid	378000
McGraw Electric Company, Common Full paid & Non Assessable)		20700	414000	20700	36⅜ bid	755550
Monsanto Chemical Company	Common	53000	4703750	159000	52¾	8387250
National Biscuit Company	Common	60000	1057500	60000	27⅝ bid	1620750
The New York Air Brake Company	Common	8500	359125	8500	36⅝ bid	310250
Oxford Paper Company, $5 Cumulative Preference		25000	1275000	25000	74 bid	1850000
Public Service Corporation of New Jersey, Common		24000	540000	24000	21	504000
Radio Corporation of America	Common	177000	708000	177000	8¾	1548750

NAME OF COMPANY	SECURITY	NO. SHARES AT TIME OF PLEDGE	MARKET VALUE AT TIME OF PLEDGE	NO. SHARES AT 12-31-47	VALUE PER SHARE 12-31-47	MARKET VALUE AT 12-31-47
[illegible]						
[illegible] Cumulative Convertible 1st, Preferred			[illegible]	[illegible]	66	548,000
St. [illegible] Lead Company	Capital		[illegible]	[illegible]	42	420,000
Sears Roebuck [illegible]	Capital		[illegible]	[illegible]	24 3/4	6,403,750
Servel, Inc.	Common		[illegible]	[illegible]	10 1/4	301,125
Shell Union Oil Corporation	Common		[illegible]	[illegible]	32	3,800,000
[illegible] Company	Common		[illegible]	[illegible]	28 7/8	441,093.75
Sonny [illegible] Company	Capital		[illegible]	[illegible]	15 1/4	1,454,875
Standard Brands Incorporated	Common		[illegible]	[illegible]	23 1/4	478,031.75
Standard Oil Company (Indiana)	Capital	[illegible]	[illegible]	[illegible]	38 3/4	12,206,250
Sterling Drug, Inc.	Common		[illegible]	[illegible]	34	2,448,000
The Timken Roller Bearing Company	Common		[illegible]	[illegible]	46 1/2	883,500
Tri-Continental Corporation, $6 Cumulative Preferred			[illegible]	[illegible]	97 1/2	2,925,000
United Shoe Machinery Corporation	Common		[illegible]	[illegible]	56 1/4	843,750
United States Steel Corporation, Cumulative Preferred			[illegible]	[illegible]	131 1/2	2,761,500
Vick Chemical Company	Capital		[illegible]	[illegible]	22 1/2 bid	450,000
The Westinghouse Air Brake Company	Capital		[illegible]	[illegible]	34 1/2	1,361,500
Wheeling Steel Corporation, $5 Cumulative Convertible Prior, Preferred			[illegible]	[illegible]	85 1/2	598,500
F. W. Woolworth Company	Capital		[illegible]	[illegible]	95 1/4	11,176,750
The Youngstown Sheet and Tube Company	Common		[illegible]	[illegible]	68 1/2 bid	5,100,937.50
Celanese Corporation of America, 7% Cumulative Series prior, Preferred			[illegible]	[illegible]	—	
Celanese Corporation of America, 7% Cumulative 2nd, Preferred		[illegible]	[illegible]	[illegible]	128 bid	15,145,266.50
Celanese Corporation of America	Common	[illegible]	[illegible]	[illegible]	25 1/4	18,120,101.25
Chicago Pneumatic Tool Company, $3 Cumulative Convertible, Preference		[illegible]	[illegible]	[illegible]	47 bid	1,649,766
Climax Molybdenum Company	Common	[illegible]	[illegible]	[illegible]	15	1,344,975
Congoleum-Nairn, Inc.	Common	[illegible]	[illegible]	[illegible]	[illegible]	9,274,611
Dividend Shares, Inc.	Capital	[illegible]	[illegible]	[illegible]	1 1/2 bid	4,334,992.50
W. R. Grace & Company, 7% Cumulative Class "A", Preferred		[illegible]	[illegible]	[illegible]	150 bid	401,400
W. R. Grace & Company, 8% Non-Cumulative Class "B", Preferred		[illegible]	[illegible]	[illegible]	150 bid	484,200
W. R. Grace & Company, 4% Cumulative, Preferred		[illegible]	[illegible]	[illegible]	125 bid	214,750
W. R. Grace & Company	Common	[illegible]	[illegible]	69,764	109 bid	7,604,276
Great Northern Iron Ore Properties (Certificates of Beneficial Interest)		[illegible]	[illegible]	[illegible]	13 1/2 bid	1,029,705.15
International Paper Company, 5% Cumulative Convertible, Preferred		[illegible]	[illegible]	[illegible]	—	
International Paper Company	Common			[illegible]	44 3/8	4,264,840.54
International Paper Company, $4 Cumulative, Preferred				[illegible]	88 bid	385,880
John Morrell & Company	Capital	[illegible]	[illegible]	[illegible]	24 1/2 bid	9,457,438
Pure Oil Company, 5% Cumulative Convertible, Preferred		[illegible]	[illegible]	[illegible]	106 bid	921,458
The Singer Manufacturing Company	Capital	[illegible]	[illegible]	[illegible]	285 bid	17,258,010
Standard Oil Company (New Jersey)	Capital	[illegible]	[illegible]	[illegible]	78 1/4	14,503,646.50
Consolidated Natural Gas Company	Capital		[illegible]	[illegible]	45 1/2	900,100
United States & International Securities Corporation, $5 Cumulative 1st Preferred		[illegible]	[illegible]	[illegible]	78 bid	2,152,624
Sub-Total			$[illegible]			$[illegible]

Sheet [illegible] of 7

BRITISH LOAN

NAME OF COMPANY	[illegible]RITY		Amount ~~NO. SHARES~~ AT TIME OF PLEDGE	MARKET VALUE AT TIME OF PLEDGE	Amount ~~NO. SHARES~~ AT 12-31-47	VALUE PER SHARE 12-31-47	MARKET VALUE AT 12-31-47
[illegible]							
Sec[illegible] other [illegible]							
American [illegible] Debentures due [illegible]				[illegible]	[illegible]	92	2530000
Cities Service [illegible] Debentures due 1952				[illegible]	[illegible]		
Cities Service Company, [illegible] Debentures				[illegible]	[illegible]		
The Vir[illegible] Corporation, [illegible] Series M				[illegible]	[illegible]	102	1400460
Sub-total				5052653			3930460
Grand Total Schedule [illegible]				$ 21091377.07			$ 13290056.69

[illegible handwritten heading]

	[illegible]	[illegible] 12/31/47	[illegible] 12/31/47	[illegible]	UNEARNED PREMIUM 12/31/47	35% of 5 REALIZABLE VALUE OF PREMIUM 12/31/47	4 + 6 NET WORTH 12/31/47	RESERVE FOR LOSSES 12/31/47
	(3)	(4)	(4a)		(5)	(6)	(7)	(8)
[illegible]	500000 *	2,614,597.86		9/30	1,922,880.33	643,608.12	3,619,705.93	1,519,167.16
[illegible]	500000 *	6,544,234.41		9/30	16,988,368.24	[illegible]	17,970,163.29	4,985,588.95
[illegible]	500000 *	8,917,610.72		9/30	17,720,842.60	[illegible]	15,619,905.63	5,629,546.65
[illegible] Marine Ins. [illegible]	500000 *	1,463,714.03		9/30	1,118,492.20	391,477.27	2,354,666.30	1,265,032.93
[illegible]	500000 *	247,776.19		9/30	751,270.00	262,944.50	1,010,720.69	136,167.00
[illegible]	500000 *	6,472,081.39		9/30	10,468,146.00	3,663,851.10	10,635,925.49	3,279,792.00
[illegible]	900000 *	5,460,057.65		9/30	7,077,642.47	2,477,174.86	8,837,232.51	10,322,197.26
Reliance [illegible]	500000 *	1,347,135.25		9/30	1,757,400.00	615,090.00	2,462,975.25	373,578.00
[illegible]	500000 *	578,658.90		9/30	1,759,400.00	[illegible]	1,694,441.70	318,582.00
[illegible]	500000 *	4,288,987.93		9/30	11,156,768.95	3,904,869.13	8,673,857.06	2,737,297.00
[illegible]	250000 *	725,666.20		9/30	171,388.20	[illegible]	1,025,642.08	518,449.18
[illegible]	700000 *	5,914,226.74		9/30	6,406,779.00	2,242,372.65	9,056,249.39	10,236,298.73
[illegible]	500000 *	1,294,546.31		9/30	6,171,451.93	2,160,008.18	3,954,554.49	1,239,464.00
[illegible]	500000 *	1,612,856.23		9/30	1,188,088.74	[illegible]	2,268,681.29	1,069,032.00
[illegible]	1,050,000 *	22,970,718.1[illegible]		9/30	15,035,074.41	[illegible]	[illegible]	9,939,046.00
[illegible]	850000 *	15,889,442.[illegible]		9/30	16,877,514.07	[illegible]	[illegible]	11,238,090.00
[illegible]	250000 *	647,084.69		9/30	1,145,000.00	[illegible]	1,854,086.[illegible]	599,880.00
[illegible]	500000 *	2,403,987.82		9/30	5,438,750.00	1,903,562.50	4,807,550.[illegible]	431,324.00
[illegible]	750000 *	4,243,109.05		9/30	1,154,783.16	404,174.11	4,717,283.16	2,390,353.00
[illegible]	500000 *	3,229,351.59		9/30	2,981,133.07	1,043,396.57	4,772,748.16	2,311,277.00
[illegible]	500000 *	5,799,864.75		9/30	5,961,688.86	2,086,591.10	8,386,137.86	881,052.00
[illegible]	500000 *	1,948,856.56		9/30	6,692,492.80	2,342,372.38	4,791,229.27	2,719,673.00
[illegible]	250000 *	833,249.39		9/30	166,363.43	58,227.20	1,141,476.59	484,268.00
[illegible]	500000 *	2,324,619.56		9/30	6,223,251.87	2,178,138.[illegible]	5,00[illegible].71	950,765.00
[illegible]	750000 *	1,402,523.96		9/30	1,767,697.61	618,694.16	2,771,218.12	2,665,246.00
[illegible]	500000 *	2,324,058.90		9/30	3,956,175.60	1,384,661.46	4,208,719.16	2,133,365.35
[illegible]	250000 *	468,299.17		9/30	926,201.04	324,170.36	1,042,469.53	160,280.57
[illegible] Assurance	500,000 *	4,130,876.91		9/30	5,230,882.53	1,830,808.89	6,461,685.80	2,884,564.25
[illegible] Provincial Marine [illegible]	250000 *	280,705.25		9/30	—	—	530,705.25	—
[illegible] Ins. Co., Ltd.	250000 *	1,278,296.0[illegible]		9/30	3,644,022.25	1,275,409.04	2,803,339.[illegible]	712,902.22
[illegible]	250000 *	853,242.95		9/30	466,543.14	163,290.09	1,228,633.[illegible]	1,130,018.42
[illegible]	750,000 *	706,376.86	[illegible]	9/30	550,604.00	192,711.40	1,224,[illegible]	1,163,256.59
[illegible]	500000 *	1,555,245.58		9/30	7,476,493.25	2,616,772.64	[illegible]	1,919,331.57
[illegible]	500000 *	907,074.02		9/30	4,256,052.45	1,48[illegible].81	2,316,690.83	1,499,746.54
[illegible]	500000 *	2,479,781.34		9/30	5,788,028.01	[illegible].75	5,005,510.09	1,078,081.00
[illegible] Insurance Co., Ltd.	500,000 *	1,717,657.43		9/30	474,822.42	141,673.45	2,366,330.86	1,479,582.00
[illegible]	500000 *	925,649.73		9/30	3,591,495.59	1,362,023.46	2,290,672.19	985,746.00
Century Ins. Co., Ltd.	500000 *	2,281,670.99		9/30	2,508,658.67	878,038.24	3,659,607.73	1,368,777.98
Sea Insurance Co., Ltd.	500000 *	2,990,749.73		9/30	1,774,597.57	621,109.21	4,111,858.54	2,599,378.00
[illegible] Co., Ltd.	250000 *	2,572,606.36		9/30	[illegible]	307,840.69	3,115,647.05	1,718,161.00
[illegible] Ins. Co., Ltd.	250000 *	1,172,168.07		9/30	172,800.00	60,480.04	1,432,13[illegible].09	635,650.00
[illegible] Deposit	[illegible]	150,448,806.[illegible]	155,348,806.[illegible]		180,336,356.79	[illegible]	[illegible]46,530.16	80,18[illegible].79

2. Shares in British-controlled industrial corporations	$158, 862, 871. 72
The appraisal was made on the basis of the latest market quotation where the shares are listed on any market represented by approximately $13,000,000 and where the shares are not listed the RFC-held interest in the net worth of the company was used in making the appraisal, the latter figure approximating $146,000,000.	
3. Shares in industrial corporations where the British hold a substantial interest	11, 851, 816. 52
The same method of appraisal was used here as in No. 2 above represented by approximately $8,000,000 in market values and $4,000,000 in net worth.	
4. British-owned shares in American industrial corporations	313, 390, 056. 69
The appraisal was made on the basis of the latest market quotation for these stocks.	
5. An assignment of the British interest in United States branches of British insurance companies	221, 966, 530. 96
The appraisal was computed on the basis of the net worth of these branches.	
Total appraised balue of collateral	895, 590, 967. 82
The approximate unpaid balance of the British loan is	205, 000, 000. 00

The interest rate is 3 percent.

RFC credit to the United Kingdom

Amount originally authorized	$425, 000, 000
Amount drawn	390, 000, 000
Amount outstanding Mar. 31, 1948	[1] 170, 000, 000
Amount in current interest and sinking fund accounts	[1] 10, 000, 000
Terms of loan: 3 percent interest matures in 15 years (July 1, 1956); all net income and other proceeds of collateral are remitted to RFC.	
Total appraised value of collateral	895, 000, 000
Break-down of collateral:	
British-owned shares in United States insurance companies	189, 500, 000
Shares in British-controlled industrial corporations	159, 000, 000
Shares in industrial corporations where British hold substantial interest	12, 000, 000
British-owned shares in American industrial corporations	313, 000, 000
British interest in United States branches of British insurance companies	222, 000, 000
Income from collateral during month of March 1948	3, 960, 000

[1] Approximate.

INADVISABILITY OF REQUIRING PARTICIPATING COUNTRIES TO LIQUIDATE INVESTMENTS IN THE UNITED STATES

Mr. WIGGLESWORTH. The Foreign Affairs Committee goes on to say that, in addition to the long-term investments in the United States of the 16 participating countries, it has been estimated by the National Advisory Council there is 4.9 billion dollar deficit figure between securities and other types of property held.

Has that been taken into consideration in any way in the over-all picture you gave us?

Mr. SPIEGEL. Yes, Congressman; it has. There was testimony on this question before the Foreign Affairs Committees. The National Advisory Council considered the advisability of compelling the participating countries to liquidate their holdings in this manner, and they felt that the long-run interests of this country as well as of the western European countries would not warrant our compelling such liquidation. That would mean obviously that hereafter the income

from these investments would not longer be available to those countries which have been using this income to meet a part of their requirements in this hemisphere. The international position of these countries would be that much worse in the long run, and recovery would be made that much more difficult if we were in fact to compel liquidation of that sort.

This same consideration, of course, is applicable to the question discussed just a moment ago with respect to the RFC collateral loan.

Mr. WIGGLESWORTH. But the needs, as I understand it, have been determined primarily on a balance-of-payment basis, have they not?

Mr. SPIEGEL. Precisely.

Mr. WIGGLESWORTH. The theory being that it was necessary to supply the deficiency in dollars.

They are something like $5,000,000,000 in long-term investments; where does that come in on the balance-of-the-payment picture?

Mr. SPIEGEL. The income from those investments comes directly into the picture, the matter has been discussed, and it was the considered opinion of the National Advisory Council that it would be unwise to compel liquidation by these countries of their investments. This answer applies also to the question raised with respect to the RFC loan.

Mr. STEFAN. Do you know what the income total is?

Mr. SPIEGEL. We have estimates in this brown book.

The CHAIRMAN. Which one of the brown books?

Mr. SPIEGEL. It is on pages 4 and 5 of the brown book entitled "Estimated Balance of Payments on Current Account of the Participating Countries."

At the bottom of the page you will see an item for interest, profits, amortization, dividends.

Mr. STEFAN. Yes.

Mr. SPIEGEL. The fact that amortization is included makes it impossible for me to give a precise answer to you, but if you are content with the figures, including amortization, you will see there at the bottom of the page——

Mr. STEFAN. Item 53?

Mr. SPIEGEL. Item 53; and you will find on the left-hand side an item for interest and amortization on United States credits. You will note that on the left-hand side we have payments by the European countries, and on the right hand the receipts.

Mr. STEFAN. That is the $1,049,000,000 in the first column?

Mr. SPIEGEL. Not exactly.

Mr. STEFAN. That is the total?

Mr. SPIEGEL. The payments outside western Europe would be the total of 287.2 million dollars and the next item, 527.1 million dollars. You would subtract that amount from the item of $1,049,000,000 which is in line 53 on the other page, to get a net figure.

Mr. STEFAN. That would give us the total of the interest and the amortization?

Mr. SPIEGEL. I am sorry I cannot tell you how much amortization is in that account.

Mr. STEFAN. But it would give us the dividends, however?

Mr. SPIEGEL. It would give the dividends plus an additional amount.

Mr. STEFAN. Yes.

Mr. SPIEGEL. It would be 814.3 million dollars out of the 1,049.0 million dollars, which would give 234.7 million dollars, as I make it.

Mr. STEFAN. How would that come into the picture. You say that is what we are considering, but that does not enter into it?

Mr. SPIEGEL. The net earnings of the countries on invisible account are included. Total earnings are shown in column two, headed "dollar earnings," which includes earnings from both exports and invisible items.

Mr. STEFAN. Do those earnings show up in the second column?

Mr. SPIEGEL. They are a part of the 4,468.5-million-dollar total.

Mr. KEEFE. Mr. Chairman, may I ask a few questions to display my neophytic ignorance on this whole situation?

The CHAIRMAN. Go right ahead, Mr. Keefe.

Mr. KEEFE. I find myself like a good many other Members of Congress unable to adjust my thinking to the technicalities of this whole picture, and I would like to ask you a few questions that might resolve some of my own difficulty, as well as that of some of the other Members of Congress who might be in the same situation.

This whole ERP program envisions a relationship between sovereignties, does it not?

Mr. SPIEGEL. Yes.

Mr. KEEFE. In other words, if we ship grain and foodstuffs, iron and raw materials, and what not, in the form of a gift to England, France, or any other of the participating countries, those materials are thrown into the channels of trade by virtue of our gift from the United States, a sovereign nation, to participating nations, sovereign nations. And the sovereign nation then funnels those materials into their normal channels of trade. That is the way it works, is it not?

Mr. SPIEGEL. Yes.

Mr. KEEFE. And the food which we send over there gets into the hands of the people of those countries through the normal channels of trade at prices fixed by the sovereignty over there.

Now, the question has been raised time and time again in many newspapers, and commented on on the floor of the House and in public discussion as to why should the American taxpayers go down into their pockets to buy this material and ship it abroad when these countries have securities in this country that can be applied to the purchase of these commodities; and that question has been raised here this afternoon and I have heard it raised time and time again, why, against this grave necessity, can we not utilize the securities that were hypothecated by law to the RFC through the normal instrumentalities of refinancing loans, and make the additional loans on those securities to help finance this program.

I would like to have you tell us if these securities, pledged with the RFC, are stocks and bonds and the usual type of collaterals, and to inform us to whom do those stocks and bonds belong; whose property are they? Are they not the property of the individuals and the corporations operating in these countries?

Mr. SPIEGEL. Whether or not the British Government vested these securities and took full title to them before they turned them over to the RFC is a question that I would want to go into more fully before I attempted to answer.

There may be a legal question whether they do hold the sole interest in the securities.

Mr. KEEFE. I have heard it said, and that is one of the reasons I am asking this question, that if the British Government, as a sovereignty, is granted loans by the RFC, or the Export-Import Bank, or any other loaning institution, and puts up collateral in the form of stocks or bonds, the British Government as a sovereignty must have had some sort of transaction with its own nationals by which those nationals turned over to the British Government those collateral items to enable the British Government to place them up as collateral.

Now what information do you have to offer to this committee on that score?

Mr. SPIEGEL. In general that is correct. The British Government, at the beginning of the war, did adopt foreign exchange regulations which gave the British Government fairly complete power to mobilize the securities, foreign securities, of its nationals.

Mr. KEEFE. Very well, assume that I am a national of Great Britain and that I own some stocks or bonds of the American Telephone & Telegraph Co., or some other public utility operating in the United States. Now the Government of Great Britain, exercising its right of sovereignty, could, by the passage of legislation, compel me, as a national of Great Britain, to surrender those stocks or bonds in the interest of sovereignty and to accept, perhaps, in place thereof, securities of that sovereignty, so that the Government then becomes the owner of those stocks and bonds in order to pledge them as collateral to secure loans to be used by the Government as a sovereignty. Is that true?

Mr. SPIEGEL. That happened to a considerable extent, not only in the case of Great Britain but also in the case of the Netherlands and other participating countries.

Mr. KEEFE. Very well. You have been discussing the sale of the railroad down in Argentina. I assume that that railroad was owned by the British investors and that the Argentina Government apparently wants to nationalize it and is making a deal with the British Government. That means that the British Government has got to take care of the stockholders in the company who own that railroad; is that what it means?

Mr. SPIEGEL. That is substantially what it means. The details of that transaction Mr. Palmer can better explain.

Mr. KEEFE. I am just a simple, ordinary individual, and I do not want to get into a lot of technical explanation of the subject, but I want to get some plain facts that I can understand and that the men in Congress who have got to vote on this question ultimately can understand. Now, they have already made a loan from the RFC. How much was the amount that we have been talking about?

Mr. SPIEGEL. The original amount, I believe, was $390,000,000.

Mr. KEEFE. $390,000,000. I have been told that the collateral put up against which that loan was made, aggregated in American value, securities of $900,000,000, and that would make the collateral to that loan around a half million dollars.

Mr. WIGGLESWORTH. The loan has been paid down to $176,000,000.

Mr. KEEFE. Very well, so they have an excess of collateral on that loan; and that question recurs and recurs as to why that excess collateral, that must belong to the British Government itself, as a sovereignty, cannot be utilized in the payment for some of this material

that we are asked to ship over there. What is the answer to that question?

Mr. SPIEGEL. The only answer that I can give you is this: When this general question was raised before the National Advisory Council, it was their judgment that it would not be advisable to liquidate all, or even a substantial fraction, of the remaining assets which these governments have. They liquidated such assets heavily during the war, as I am sure you appreciate.

Mr. KEEFE. Yes.

Mr. SPIEGEL. The assets now left to the United Kingdom Government and her nationals are only a portion of what they had at the beginning of the war. They sacrificed assets and future earnings therefrom to get materials here to carry on the war in the days before lend-lease. It was the feeling of the National Advisory Council that the remaining assets are important to these western European countries, to the international position of these countries, and that to compel further liquidation would not be an advisable step.

Mr. KEEFE. And why not?

Mr. SPIEGEL. For the reason——

Mr. KEEFE. What are the reasons back of it?

Mr. SPIEGEL. I believe one of the reasons was that if we compelled the United Kingdom, for example, to sell its assets to finance the requirements in these books, the import figures we have been talking about, the future international position of the United Kingdom would be very seriously damaged by virtue of the fact that all the income from such assets would be forever lost, and therefore that——

Mr. KEEFE. Her income from these securities would be forever lost.

Mr. SPIEGEL. Would be forever lost, yes; because the securities would have been sold to meet current needs. In future years the United Kingdom, in order to finance necessary imports, would be much harder pressed than otherwise because she could not use that income. Therefore the job of assisting the United Kingdom back on her feet would be made more difficult, because this income is of annual importance in helping the United Kingdom, and also the Netherlands, France, and such other ERP governments as have such assets, to meet their import requirements.

Mr. KEEFE. I would like to follow this thing right down to see whether I am right or not, and stick right to this one thing until we get it as clear as we can make it in this record.

In pursuit of her necessity during the war Britain, like this Nation, had to resort to unusual situations of financing.

Mr. SPIEGEL. Certainly.

Mr. KEEFE. One of which was to call upon her nationals to make it possible for the Government itself to purchase necessary items that were not provided for by lend-lease above what it was in the early days—I assume it was—when she was buying materials in this country and paying for it; she had to have the credit to do that.

Mr. SPIEGEL. That is right.

Mr. KEEFE. Now, in order to obtain those credits she would say to her nationals: You have got so many stocks, bonds, and securities in American companies; turn those over to your Government and we will give you slow notes or bonds or something to replace them at a low rate of interest over long periods.

Mr. SPIEGEL. This is right.

Mr. KEEFE. Because she wanted those stocks and bonds and those securities as collateral to put up for loans in the United States in order that she could buy the merchandise which she needed; is that in effect what happened?

Mr. SPIEGEL. Yes; and I understand she also sold securities as well.

Mr. KEEFE. She sold securities just as we sold securities.

Mr. SPIEGEL. Yes.

Mr. KEEFE. She sold American securities outright and other securities throughout the war in order to get the money.

Now then, the securities that are pledged with the RFC, referring to that one specific item, are the property of the British Government?

Mr. NITZE. I think in effect what you have said is absolutely correct, Mr. Keefe. I think Mr. Snyder would be better able to tell you exactly the legal arrangement between the British Government and her nationals. I have the impression that her nationals did retain some interest in those securities so that the increase in value therefrom would accrue to them, but the British Government actually vested them so they could, if necessary, sell them. But there is a complicated legal situation which I think the Treasury Department would be better able to tell you about.

Mr. KEEFE. I do not want to complicate it anymore by unnecessary details, but in the main the situation which I have described, with the possible qualification that the pledgors of these securities and stocks of the British Government—they may have retained more of the equity—but in the main the situation which I have described is correct and accurate, is it not?

Mr. NITZE. That is my understanding. As I understand it there is no doubt that if the British Government, if it so desired, and if it followed the policy of pledging the securities, could even sell them, and it did exactly that prior to lend-lease.

Mr. KEEFE. Now, as you say, if they did sell them, sell out the pledge owners, they would be divesting themselves of the increment and income that comes from those securities on a quarterly or annual basis and the national income of Great Britain would to that extent be permanently reduced.

Mr. NITZE. Yes.

Mr. KEEFE. Is that right?

Mr. NITZE. Yes. I think the important point here is that this program was conceived of as one that was to run for a number of years—I think 4¼ years, to be specific—for the purpose of enabling these countries to get on their feet, and this income, of course, would continue to assist them through this very difficult period; and if this country can in fact become self-sustaining with assistance from the United States over this definite period of years, 4¼ years——

Mr. KEEFE. I can see she has a very difficult problem, and, of course, it is a very difficult problem, insofar as Great Britain is concerned. It is quite different from other countries.

Mr. NITZE. There are one or two things you should further consider; one is the deficits of those countries that we are endeavoring to help, with, in addition to certain Western Hemisphere countries, Australia, South Africa, and other nations that are aiding the Western Hemisphere in this program.

Mr. CASE. They are within the sterling area, and they would not have that difficulty?

Mr. NITZE. I believe they have deficits over and above the sterling area.

A further consideration on the question of reserves is that the United Kingdom has gotten down to a point where it becomes very difficult for her to continue an orderly internal economy as well as external trade, and any further bringing down of her capital assets and working capital will make it that much more difficult to conceive of the time when her economy can be revived, which would mean the possible extension of the period of time when she will need help.

Mr. KEEFE. In the over-all picture am I correct in the assumption that the answer to the contention that Britain should be compelled to surrender her assets to the bone, to the last farthing to purchase the things she needs and that she first should be compelled to dispose of these collaterals that are now on deposit with the RFC, and the answer to that contention seems to be that we are dealing with an over-all recovery program of which this is just one part.

Mr. NITZE. That is correct.

Mr. KEEFE. And in the long-range view it is the contention of those who have in charge this program that if she is divested of all of her securities, which are income-producing to her, the other end of the dilemma is that we will have to again keep on providing, providing, and providing without any possibility of ending it.

Mr. NITZE. That is correct.

Mr. KEEFE. I am just wondering. I have read a good many things on this, a good many works, even Kingsley Report of some years ago, and I am just wondering, and I am compelled to wonder, when we are faced with that, whether we can say with any assurance, insofar as Great Britain is concerned in the predictable future, because of the collapse of the empire and other things related thereto, whether we cannot expect a continuation of this program insofar as Britain is concerned, whether viewing her whole economic set-up we are able to estimate any date in the future when she can get on her feet.

Mr. CASE. That being true, since we are calling upon the United States taxpayers to bridge the gap between what credits they can provide through these liquidations or borrowings, or whatever they may be, then it becomes the responsibility of us to determine whether the expenditures of these very sovereignties are of a standard we can justify to the taxpayers of the United States.

That was the problem I had on the interim-aid bill when we knew that the balances of dollars we were establishing for France and Italy, for example, would be used to maintain certain diplomatic missions on a level allegedly higher than we were providing for our own ambassador staff.

And unless these countries are willing to put up these securities or to engage in a certain amount of liquidation to maintain that kind of a standard or that kind of an expenditure, we certainly have to consider whether or not we can ask the taxpayers of the United States to maintain it.

Mr. KEEFE. I want to help develop that economy over there, if it is possible to do so, as one member of the committee, but it does seem to me that no one has, in any of the arguments that have been presented to any committee, pointed out anything except the bare hope and expectation and the bare possibility that some good will be accomplished. And if I had my way and was running the show and

was the head of this outfit, believe me, I would take some different course and I would see if I could not spend a little money to make England self-supporting by developing some of the vast country she has which is undeveloped and get some of the 42,000,000 people out of Great Britain and get them to go down on the plateau and develop the British Congo and to go into Africa and get her into a place where she can produce instead of confining 42,000,000 people on those little islands and carrying on forever and a day and projecting into the future the very thing that has caused the collapse and making her a burden on the taxpayers of America, with no hope whatever of developing her own independent economy so that she can get on her own feet. And with the broad fluidity in this program, it seems to me this program proposed by Mr. Hoffman has the possibility in it of envisioning a program of encouragement to self-help and an expenditure of money in that direction that is far beyond the little compilation of figures submitted here before this committee. And I, as one American, would have a very hopeful view of this whole situation if this ECA were postponed in its presentation to this committee and you would come up here with an ECA that is to be administered by Mr. Hoffman and his group that have been sold to the American people as good businessmen to manage this program in the hopes that we can get this off the backs of the American taxpayers.

I do not know whether anything of that kind is possible or not.

Mr. KERR. Mr. Keefe raises a legal question that strikes me as being not quite understandable. I understand, when a debtor borrows money and puts up collateral security, it does not mean that the creditor is entitled to his collateral security in any sense of the word. And I have some misgivings about the matter as to whether or not the creditor can take the income from the security and put it on the debt unless the debtor gives him the right to do it. That is a fundamental principle of law, as I understand it. I do not understand how you could take all of this security unless the debtor says so, unless the creditor can show he has an arrangement with the debtor by which the debtor says, "You can give me," or "I will sell you," or he will sell you, or you have an agreement to credit this debt with some of this security. You cannot go and take the security and put it on the debt without an agreement between the creditor and the debtor. It is still the debtor's money; it is still his paper, his bonds. He owns it, but he has just put it there for security, just like you sign my note for $1,000.

Mr. CASE. That is, paying the other party does not relieve you of the obligation to the original debtor for the security.

Mr. KERR. That is right. I do not see how you can take the security and arbitrarily, because it is there and because the debtor owes the United States something, put it upon the debt of the United States.

Mr. KEEFE. If you come to my bank and want to borrow $1,000 and I insist upon collateral—I would not in your case, but in many cases we have to—and you put up a $1,000 bond of the American Telephone & Telegraph Co., we will assume, or a United States Government bond as collateral, that is collateral for the payment of the note.

Mr. KERR. It is still my collateral. Without my saying you could use it, you would have to exhaust your principal and my debt, my

note, would have to be disclosed to be worthless before you could put that onto my debt.

Mr. KEEFE. It is your bond, but it is envisioned by the terms of the collateral note, and the collateral note prescribes the terms and conditions under which that collateral can be applied. It always does that.

Mr. KERR. Oh, yes; a contract can be entered into saying should certain eventualities arise, so much of this security or so much of that may be put on the principal debt. That is a different question.

Mr. KEEFE. And you would be entitled, in the absence of any agreement to the contrary, to receive the interest paid on that bond during the period of that loan.

Mr. KERR. Without a contract, you could not receive anything from that security unless you had a contract with the debtor to do it.

Mr. CASE. And, on the point you raised, also the man or the company that issued the bond would not be relieved of his liability to pay the interest, the income, or dividend to Mr. Kerr by paying it to the person who is temporarily holding it.

Mr. KEEFE. I think that is absolutely true, unless there was an agreement between the bank and borrower to that effect. I think that is fundamental.

The CHAIRMAN. It seems to me we are not getting too much out of this picture. Frankly, I am disappointed. I thought we would get through with this pretty quickly. I will ask one more question, and then I think, unless someone has some other questions to ask——

Mr. KEEFE. I have just one question.

The CHAIRMAN. Go ahead.

QUESTION AS TO GIFTS BY WESTERN HEMISPHERE COUNTRIES TO PARTICIPATING COUNTRIES

Mr. KEEFE. We have discussed here repeatedly the subject of credits available in other Western Hemisphere countries—that is the substance of the memorandum that has been submitted to the committee this afternoon—totaling some $700 million of anticipated credits that might be figured as available from other Western Hemisphere countries.

Now, when you speak of "credits," you are not talking of gifts, are you; you are speaking of credits?

Mr. NITZE. This does include some gifts.

Mr. KEEFE. Well, the most of it is referred to here as "credits."

Mr. NITZE. The most of it is.

Mr. KEEFE. The loans that these countries are asking Argentina to make available are credits by which they would deliver merchandise to these 16 participating countries and expect to be repaid. And when you speak of credits—for instance, you speak of credits being extended by Canada to England, and Canada expects those to be repaid. She has made gifts; it is true. And you are speaking of credits possibly from Cuba, but they are not in the sense of gifts that the United States is making; they are available credits only by which they say, "We will give you credit to this extent, possibly, but we expect you to sign on the dotted line," and pay eventually for the things you expect to get from Cuba, Argentina, or Canada within those categories they furnish. Is not that true?

Mr. SPIEGEL. That is generally true; yet it is possible that one or more of those countries may in the future make some gifts.

Mr. KEEFE. But the only one you know is going to give is the United States Government, and we are pledged to make a gift.

Mr. NITZE. Canada and the United States.

Mr. KEEFE. Canada has given, but Canada has served notice that they cannot go along any further, and they are not going to give any more, and they have to have some idea of being paid. That is what Canada says, and that is what your statement says. And there is no other country in the world, apparently, that is making gifts outright except the United States Government. Let us be fair about that—with the exception of some dib-dabs here and there. Is not that generally true?

Mr. NITZE. Yes.

Mr. KEEFE. So that the Santa Claus in this proposition, if it may be called such by some people, is Uncle Sam, and these other nations, regardless of their financial condition, are saying "All right. We will extend credit to you, England, but we are extending you credit and not making a gift, and we expect you to repay at some time." That is what it amounts to; is it not?

Mr. NITZE. That is right.

Mr. KEEFE. So, in discussing this whole over-all problem as to the availability of material, you go into this question of the extension of credit in order to determine what goods and materials are available in the other parts of the world to make up this total you set forth in your estimates here as the amount necessary in the various categories to meet their commitments. Part of it is credit, but the most of it, as far as we are concerned, is gifts.

Mr. NITZE. There is one other point, that is, that Canada, for instance, sells wheat at $1.55 as opposed to the world price and the United States price which is somewhat higher than that.

Mr. STEFAN. How would that be with Argentina selling wheat at $5; how would that come in?

Mr. NITZE. Argentina is doing the reverse of what Canada is doing. They are gouging.

Mr. STEFAN. They are gouging; they are getting $5 a bushel, are they not?

Mr. NITZE. Not quite that, but almost.

NECESSITY FOR PURCHASES BY PARTICIPATING COUNTRIES AT REASONABLE COMMERCIAL PRICES

Mr. KEEFE. Why should the United States Government make available dollar credits to these 16 participating countries to enable them to purchase materials, for instance in the form of wheat, from Argentina and pay the equivalent of $5 a bushel for that wheat, and the American taxpayers pay that freight? What is the answer to that question?

Mr. NITZE. Our assumption was the Administrator would be able to assure that any money spent under the ECA would be at reasonable commercial prices.

Mr. KEEFE. That is exactly the point I am getting at. We are not having a justification and showing by the ECA here; this is a composite State Department and everything else all jumbled up here, so that nobody can understand thoroughly just exactly what Mr. Hoffman and the ECA propose to do. And I, as one member of the committee, want forcibly to express my attitude. I do not intend just to slide this thing across, unless I thoroughly understand it and what the program of Mr. Hoffman and the ECA is, because that is the outfit that is here asking for this money and no one else. And I think that is only a fair and reasonable attitude to take.

And, Mr. Chairman, for myself, I would prefer not to conduct any further hearings on this question at all until Mr. Hoffman is here able to come before this committee and submit his program. He has indicated this morning, and others speaking for him have indicated, that it is not their idea to go along with the program enunciated in this State Department presentation and certain of its aspects.

Mr. STEFAN. I will state Mr. Hoffman told me, and I think told the chairman, he was called back for an important conference and he expected some of the details to be discussed by these gentlemen who are here. I feel as Mr. Keefe does. I want to know where the State Department begins and where it leaves off and where the ECA comes in here. You gentlemen are justifying appropriations for the ECA under justifications that the State Department has written. Is that correct?

Mr. NITZE. That is correct. You understand the problem that faced us, Mr. Stefan. It was thought the Appropriations Committee would desire to have hearings promptly after the passage of the authorizing legislation. The Administrator had not been selected; none of us knew who he would be. Therefore, we felt it incumbent upon us—the executive branch felt it incumbent upon it—to prepare a suggested presentation.

We recognize now and recognized then the tentative nature of these estimates. This program, in any case, has to be reviewed by the Administrator from time to time. He will have much better data as he gets later information.

Mr. KEEFE. But the over-all program would not be hurt very much if we waited. You have a billion dollars to operate on.

The CHAIRMAN. Now we are right up against this situation. I had some doubts about going on with this hearing this afternoon, but I thought, from what we were told, you would be ready to go on with this particular hearing. I do not believe you are, and my own idea of this particular set up would be, unless some member of the committee has some further questions, to suggest, as to this particular item, that we pass it over until a later time when the Department may be better prepared on the subject.

Mr. STEFAN. Before you adjourn the meeting, Mr. Chairman, in fairness to the Department of State, I want to say this: As I understand the entire picture, Mr. Hoffman and his organization are just formulating their organization. They have 80 employees set up, and

they have only given us a bread-down of three or four or five of them. They are going to employ 500 for the District and 1,000 for the foreign field. Mr. Hoffman himself said he had not read these justifications or knew very much about it; so he is not in a position, and neither is anybody in the ECA to justify the appropriations. The justifications were made up by the Department of State through the departmental organization there, and they are the only ones I know of in the Government who are competent to justify them at this time. However, it is the ECA that is going to administer this program following the passage of the legislation making the Marshall plan a law, and we are here to implement that law with appropriations, but the State Department is the only agency of the Government that can give us information as to what the requirements are, because the ECA organization is not yet formulated.

Mr. Hoffman says there is no rush about this; Mr. Hoffman says he has $1,000,000,000 to work with, of which $800,000,000 has been allocated, and somebody who has the job and somebody who has the responsibility should be in a position to justify this appropriation before this committee, and I will go along with the chairman to adjourn here until we can get the information from Mr. Hoffman.

Mr. NITZE. Mr. Ball of the Department of the Interior and Mr. Levy of the Department of State are here on the petroleum matter.

The CHAIRMAN. Well, we can take that up, perhaps, and get somewhere with that. I hope so. But I don't see much sense in going much further into this one.

Mr. CASE. I merely wish to ask a question so as to identify this.

As I understand, this little table given us this afternoon corresponds to column 3 in the D–4 table of loans and credits?

Mr. NITZE. Yes, sir; it does.

Mr. CASE. In other words, then, these credits are all applicable against shipments from the Western Hemisphere and apply to the 15 months' period?

Mr. NITZE. That is correct.

BIZONE—GARIOA APPROPRIATION

Mr. WIGGLESWORTH. And, strictly speaking, there is $822, 000,000 in here for the bizonal appropriation. It is not a loan or a credit, but an appropriation.

Mr. NITZE. That is correct. We point out in the footnote that it is.

Mr. STEFAN. It is misleading and should not be in there.

Mr. SPIEGEL. It would otherwise have meant adding another column to the table, and we thought it simpler to do it in this fashion.

Mr. NITZE. The footnote explains it.

The CHAIRMAN. Perhaps there is one other question.

SWISS WESTERN HEMISPHERE SURPLUS

What does that Swiss Western Hemisphere surplus represent? Is that something we are going to pay the Swiss for?

Mr. SPIEGEL. No.

The CHAIRMAN. Or something that the Swiss are going to contribute, or what?

Mr. SPIEGEL. It is something we hope the Swiss will contribute.

The CHAIRMAN. Have they said they would contribute?

Mr. SPIEGEL. No; they have not. The brown-book estimates show a balance-of-payment surplus rather than a deficit for Switzerland with the Western Hemisphere.

The CHAIRMAN. But that, so far, is purely a hope?

Mr. SPIEGEL. That is a hope.

Mr. WIGGLESWORTH. You gave it to us today as $115,000,000 for Switzerland, although from the Foreign Affairs report it would seem the information given them at the time of their hearings was that the sum was $85,000,000 and it represented cash settlements beyond the anticipated deficits not only of Switzerland, but Portugal and Turkey, also.

Mr. SPIEGEL. It is true that the figures were revised after the presentation to the Foreign Affairs Committees, and the revised figures show that Switzerland is expected to have a larger surplus than previously anticipated.

Mr. STEFAN. They were revised in the Budget, too, after they left the Foreign Affairs Committee, were they not?

Mr. SPIEGEL. You mean by the Swiss Government?

Mr. STEFAN. No; when you went to the Budget, the whole thing was revised there.

Mr. NITZE. These figures were originally prepared on the basis of estimates made last October, and the figures presented to the Foreign Affairs Committee and the Foreign Relations Committee of the Senate were estimates prepared in October and November last year. Then subsequent new information came in which made it look as though a great many of our underlying figures should be revised; so it was felt for the Appropriations Committee that a complete revision should be made on the basis of the most complete information available. And if you were doing it today, there would be further revisions.

STATUS OF PORTUGAL AND TURKEY IN THE PROGRAM

Mr. WIGGLESWORTH. Does that mean that Portugal and Turkey are out of the picture now?

Mr. SPIEGEL. If you will look at the table on page 3 in this large book, you will find the figures for Portugal and Turkey, and you will find in the Portuguese case that there is a deficit. But we have felt that Portugal had sufficient gold and dollar resources so that we could expect Portugal to finance that deficit out of its own money. In other words, we felt that Portugal was in a different position from the other participating countries. We have not, therefore, included any request for funds to take care of Portugal's requirements.

Mr. WIGGLESWORTH. According to the Foreign Affairs Committee report, there was $1,285,000,000 to be financed during the first 15 months from sources other than the United States Government. That included $700,000,000 from Western Hemisphere countries which we discussed?

Mr. SPIEGEL. That is right.

Mr. WIGGLESWORTH. $500,000,000 from the Export-Import Bank, the International Bank, and the other sources which you discussed?

Mr. SPIEGEL. Right.

Mr. WIGGLESWORTH. And the $85,000,000 represented settlements from participating countries on a cash basis?

Mr. SPIEGEL. Yes, sir.

Mr. WIGGLESWORTH. And today you gave us not $85,000,000 but $115,000,000 for Switzerland alone.

Mr. SPIEGEL. That is right.

Mr. WIGGLESWORTH. My question is, Has the situation changed so that Portugal and Turkey are out of this picture today?

Mr. SPIEGEL. Our most recent information is that both Portugal and Turkey will be running deficits rather than surpluses, and that Switzerland's surplus is larger than we had previously anticipated.

FINANCIAL SITUATION OF BELGIUM

The CHAIRMAN. What about Belgium?

Mr. SPIEGEL. The table on page 3 will give you the comparison. Last December the deficit for the 15 months' period was estimated at $545,000,000; in March the revised figure was $637,800,000.

The CHAIRMAN. And what does Belgium "dep." mean?

Mr. SPIEGEL. That is dependent overseas territories.

The CHAIRMAN. That shows a surplus of $37,000,000; is that it?

Mr. SPIEGEL. That is right. That amount is an offset against the Belgian deficit. We felt we could lump together the figure for the mother country and the dependencies.

ESTIMATE OF CREDITS FROM ARGENTINA IN RELATION TO EXPENDITURES FOR BREAD GRAINS AND COARSE GRAINS

Mr. CASE. In connection with the relationship of this table which you gave us out of the book, in column 3, I note the estimate of credits from Argentina are apparently $400,000,000, and the estimated expenditures for bread grains and coarse grains are $799,700,000. In other words, about one-half of the expected credits from Argentine sources are approximately one-half of the coarse grain figures. Does that mean Argentina is to get the benefit of the $5 grain in contributing and getting credit for the contribution of $400,000,000 in credits?

Mr. SPIEGEL. Mr. Nitze did explain, I think, a while back that we had expected the Administrator in his negotiations with Argentina to reach an agreement on a price that was reasonable before making any purchases of Argentine grain under the program.

Mr. CASE. What was the figure used in estimating the $799,000,000 worth of coarse grains to be purchased out of loans and credits? You must have had a figure in mind there.

Mr. SPIEGEL. Yes, sir; but I will have to check. It is my offhand impression that we did not make an adjustment on price, but I would want to check before giving you a definite answer.

Mr. NITZE. I would just like to say that this distribution of the $2,136,000,000 among commodities was obviously a very difficult thing to do. In general, the amount which seemed in keeping with the amount of grain which might come from Argentina under credits was put against the grain, and I do not think the particular distribution in that column is necessarily fixed in any way.

The CHAIRMAN. Now, for the time being, on this particular item, we will get through with this unless there are some more questions at this point, and will take up the Interior Department and see what they can tell us about the things they have.

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION, AND AVAILABLE SUPPLY BY COMMODITIES AND BY COUNTRIES

I should like to insert at this point the tables showing the estimates of total imports, domestic production, and available supply in physical quantities by commodities and countries.

(The tables are as follows:)

AUSTRIA

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					342	979	1,321	326	580	906	570	553	1,123
02	Coarse grains	" " "					456	893	1,349	131	478	609	50	493	543
	TOTAL grains	" " "	568.1	610.	1,406	2,016	798	1,872	2,670	457	1,058	1,515	620	1,046	1,666
03	Fats and oils	" " "	25.1	64	42	106	52	63	115	25	35	60	40	38	78
04	Oilcake and meal	" " "	11.5	25	2	27	51	2	52	4	1	5	18	1	19
05	Sugar	" " "	62.8	69	92	161	2	177	179	14	29	43	62.4	38.6	101.0
06	Meat	" " "	31.6	48	155	203	6	280	286	36	136	172	10	181	191
07.	Dairy products, TOTAL	" " "													
	Cheese	" " "		—	8	8	1	31	29	--	8	8	--	8	8
	Canned milk	" " "		—	—	—	—	--	--	1	—	1	1	—	1
	Dried milk	" " "		—	--	--	—	--	--	0.5	--	0.5	1	—	1
08	Eggs (Shell equivalent)	" " "		—	14	14	5.1	36.4	41.5	3.0	12.1	15.1	--	13.2	13.2
09	Dried fruits	" " "	5.1	15	—	15	21.	--	21.	2	--	2	—	--	--
10	Rice	" " "		5	--	5	31	--	31	--	—	--	2	--	2
11	Coffee	" " "	3.0	3	--	3	5	--	5.		—			—	
12	Other foods - TOTAL	" " "													
	Pulses	" " "	50.0	71	3	74	4	11	15	20.5	6.0	26.5	45.	3.9	48.9
	Fresh fruit	" " "		40	675	715	92	425	517	2	800	802.	30	500	530
	Cocoa	" " "		4	—	4	6	--	6	3	—	3	4	—	4
	Tea	" " "		—	--	--	0.4	—	0.4		—			—	
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	3.8	8	--	8	8.	—	8.	1.6	0.2	1.8	3.9	0.2	4.1
14	Cotton	" " "	13.9	26	—	26	36.3	—	36.3	13	—	13	15.2	—	15.2

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEIC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons		-	49	27	6	1	7	2	6	8		25	12
16	Phosphates - Soluble	1,000 metric tons		27	3	30	6	8	14	-	-	-	5	-	5
17	Potash	1,000 metric tons		46	-	46	9	-	9	-	-	-	9	-	9
18	Agricultural Machinery														
	Tractors	Units	120	600	1,400		200	-	200	1,000	-	1,000	1,000	-	1,000
	Other Agricultural Machinery	metric tons	1135	6,300	16,250		-	10,900	10,900	47,300	6,700	5,400	32,100	11,500	43,600
19	Coal	1,000 metric tons		4,809	3,095	7,904	3,884	3,543	7,426	2,367	2,515	4,882	3,326	2,900	6,226
21	Petroleum Products	1,000 metric tons	27.6	80	909	989	245	101	346	542	385	927	601	385	986
22	Timber	1,000 cubic meters		80	3,373	2,939	26	4,210	2,681						
23A	Finished Steel	1,000 metric tons		20	380	300	6	467	409	-	122	107	6	286	216
23B	Crude and Semi-Finished Steel	1,000 metric tons		-	600	584	-	666	655	-	187	187	-	400	392
23C	Pig Iron	1,000 metric tons		-	490	415	16	551	559	-	58	58	-	300	254
23D	Scrap Iron	1,000 metric tons		-	300	300	70	260	330	-	89	87	20	210	230
24	Trucks	Units	1466	2,000	1,500	3,500	15	1,223	847	66	566	632	2		
25	Freight Cars	Units		500	500	1,000		-		-	-	-	-	-	-
29	Copper	1,000 metric tons	12.1	13	2	15	19	-	17	1	-	1	1	-	1
30	Tin	metric tons		400	-	400	700	-	650	200	-	200	200	-	200
31	Lead	1,000 metric tons		-	6	5	5	9	9	-	1	1	-	2	2
32	Zinc	1,000 metric tons		5	-	5	9	3	10	-	1	1	1	2	3
33	Aluminum	1,000 metric tons		-	5	5	-	4	1	-	1	1	-	5	1
34	Wool	1,000 metric tons	.8	12.	1	13.	8.9	0.5	9.3		0.8		3.2	0.8	4.0
35	Wool Yarn	metric tons		500	9,500	8,200	1,400	8,600	9,200	-	1,700	1,700	-	7,000	5,700
36	Woolens and Worsteds	metric tons		50	6,000	5,050	800	6,000	6,700	-	1,100	1,100	-	3,700	3,000
37	Cotton Yarn	metric tons		-	21,000	16,000	2,300	32,500	20,000	100	8,200	7,800	1,000	14,000	15,000
38	Cotton Cloth	metric tons		-	15,000	12,286	1,200	15,700	17,400	-	6,000	5,700	-	11,000	7,000
39	Wood Pulp	1,000 metric tons		-	175	145	4	414	232	-	77	72			
40	Newsprint	1,000 metric tons		-	52	30	-	56	22	-	26	22			
41	Rubber	1,000 metric tons		5	-	5	4	-	4	1	-	1	1	-	1
43	Fish	1,000 metric tons		4	-	4	7	3		-	1		14	1	

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; OSRC Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

BELGIUM - LUXEMBOURG

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					1,202	849	2,051	674	744	1,418	820	417	1,237
02	Coarse grains	" " "					1,256	752	2,008	417	834	1,251	560	886	1,446
	TOTAL grains	" " "	600.0	1,545	1,515	3,060	2,458	1601	4,059	1,091	1,578	2,669	1,380	1,303	2,683
03	Fats and oils	" " "	13.8	139	60	197	151	99	220	110	61	171	125	61	186
04	Oilcake and meal	" " "	39.2	280	-	280	461	10	437	100	11	111	180	10	190
05	Sugar	" " "	45.5	109	240	249	154	235.8	267.8	8	234	242	120.8	138.2	253
06	Meat	" " "		80	235	315	25	314	336	105	161	266	101	209	310
07	Dairy products, TOTAL	" " "													
	Cheese	" " "	11.3	20	5	25	20.2	8.0	28.2	18.5	3.2	21.7	25.6	2.9	28.5
	Canned milk	" " "	40.6	45	1	46	-	2.5	2.0	17.0	0.8	17.8	67.7	1.0	68.7
	Dried milk	" " "	4.0	5	2	7	3.5	2.5	6.0	7.7	1.5	9.2	3.6	2.5	6.1
08	Eggs (Shell equivalent)	" " "		6	86	92	.5	104.7	93.7	50.0	65.9	115.9	62.5	84.4	146.9
09	Dried fruits	" " "		8	-	8	11	-	11	2	-	2	5	-	5
10	Rice	" " "		7	-	7	54	-	54	2	-	2	3	-	3
11	Coffee	" " "	4.9	49	-	49	50	-	50	37	-	37	41	-	41
12	Other foods - TOTAL	" " "													
	Pulses	" " "		20	25	45	66	40	75	1.5	31.0	32.5	12.5	27.5	40.0
	Fresh fruit	" " "		174	325	485	174	176	328	153	140	281	54	437	440
	Cocoa	" " "		25	-	25	11	-	11	11	-	11	11	-	11
	Tea	" " "		3	-	3	0.3	-	0.3		-			-	
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	.6	26	5	30	18.7	7.7	26.2	16.0	10.9	26.9	18.0	6.1	24.1
14	Cotton	" " "	14.2	92	-	92	110.	-	77	74.3	-	74.1	87	-	87

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEEC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

BELGIUM - LUXEMBERG

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed 4/1/48-3/31/49	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons	2.0	6	155	114	3	60	63	2	85	82	3	135	93
16	Phosphates - Soluble	1,000 metric tons		-	320	106	-	238	86	-	111	96	-	230	96
17	Potash	1,000 metric tons		112	-	112	62	-	62	81	-	81	92	-	92
18	Agricultural Machinery														
	Tractors	Units	135	1,500	2,125		30	1,500	1,530	100	1,800	1,900	100	2,000	2,100
	Other Agricultural Machinery	Metric tons		4,100	22,500		22,000	20,000	39,500	40,600	10,000	50,600	46,600	15,000	61,600
19	Coal	1,000 metric tons	554.9	9,330	27,250	32,930	8,410	29,585	31,543	4,983	22,784	26,827	6,686	24,390	29,606
21	Petroleum Products	1,000 metric tons	596.0	1,293	29	1,322	838	46	849	851	32	883	1,787	28	1,702
22	Timber	1,000 cubic meters	253.5	1,696	1,048	2,696	2,014	1,247	3,168	1,190			1,160		
23A	Finished Steel	1,000 metric tons	73.9	565	5,084	1,577	302	2,831	1,234	314	2,776	1,399	530	3,712	1,596
23B	Crude and Semi-Finished Steel	1,000 metric tons	22.9	225	6,300	6,173	100	2,760	3,565	85	3,602	3,527	135	4,615	4,539
23C	Pig Iron	1,000 metric tons		-	6,800	6,800	122	3,978	3,812	77	3,539	3,622	92	4,615	4,700
23D	Scrap Iron	1,000 metric tons		-	1,550	1,550	118	1,097	810	184	1,032	1,268	416	1,211	1,637
24	Trucks	Units	6419	7,600	1,500	9,100	-	8,632		4,481	7,427		16,691		
25	Freight Cars	Units		-	22,500	6,250				-	1,200	1,200	-	7,100	
29	Copper	1,000 metric tons		120	-	45	241	-	129	180	-	119		-	
30	Tin	metric tons		11,000	-	3,000	10,600	-	1,800	6,600	-	3,600	13,000	-	-
31	Lead	1,000 metric tons	11.1	50	-	45	108	-	39		-			-	
32	Zinc	1,000 metric tons	40.7	143	-	100	333	3	150	231	-	183			
33	Aluminum	1,000 metric tons	1.0	8	2	10	5	-	3	3	-	3			
34	Wool	1,000 metric tons		114	-	90		0.3	55.4	117.6	0.3	110.5	94.1	0.2	84.8
35	Wool Yarn	metric tons		1,800	46,000	32,925	2,000	25,000	18,000	1,000	31,000	29,000	2,000	42,000	37,000
36	Woolens and Worsteds	metric tons		600	28,000	26,000	600	16,000	15,400	1,500	22,800	22,300	1,500	24,000	20,800
37	Cotton Yarn	metric tons		-	86,000	76,900	2,800	70,000	61,500	-	69,300	65,700	1,000	79,000	72,000
38	Cotton Cloth	metric tons		2,500	55,000	24,707	1,100	49,000	30,000	1,000	54,700	46,500	2,300	68,000	49,300
39	Wood Pulp	1,000 metric tons		205	45	250	174		150	190		190			
40	Newsprint	1,000 metric tons		18	45	63	36	52	84	18	32	50			
41	Rubber	1,000 metric tons		18	-	18	15	-	15	9	-	9	19	-	19
43	Fish	1,000 metric tons		73	60	104	75	54		16	107		11	110	

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; C.E.C. Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

DENMARK

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					432	647	1079	13	584	597	160	240	400
02	Coarse grains	" " "					353	2951	3304	1	3242	3243	10	2920	2930
	TOTAL grains	" " "	177.8	490	3677	4167	785	3598	4383	14	3826	3840	170	3160	3330
03	Fats and oils	" " "	10.5	61	140	101	178	191	141	20	147	91	40	135	105
04	Oilcake and meal	" " "	131.9	400	16	416	964	1	812	235	2	237	247	11	258
05	Sugar	" " "		-	220	180	15	201	201	-	215	175	-	218.4	150.
06	Meat	" " "		-	412	300	-	466	214	-	376	248	-	408.	258
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		-	60	45	-	31.0	22.8	-	58.5	47.7	-	57.5	43.5
	Canned milk	" " "		-	20	4	-	18.	18.	-	14.	2.	-	18.	3.
	Dried milk	" " "		-	8	5	-	1.0	0.8	-	6.5	4.5	-	7.0	5.5
08	Eggs (Shell equivalent	" " "		-	70	30	-	123.7	41.2	-	55.2	43.3	-	62.0	44.1
09	Dried fruits	" " "	1.0	8	-	8	10	-	10	2	-	2	4	-	4
10	Rice	" " "	1.0	3	-	3	11	-	11	-	-	-	1	-	1
11	Coffee	" " "	4.0	12	-	12	31	-	31	4	-	4	13.	-	13.
12	Other foods - TOTAL	" " "													
	Pulses	" " "		-	10	10	2.9	8.2	10.2	0.2	20.0	20.2	0.2	14.0	14.2
	Fresh fruit	" " "		16	264	251	20	116.	135	6	231	233	12.	175.	178.
	Cocoa	" " "	1.6	6	-	6	5	-	5	4	-	4	5	-	5
	Tea	" " "		1	-	1	0.6	-	0.6		-			-	
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	4.4	10	-	10	8.2	-	8.0	12.7	1.0	13.7	6.8	1.3	10.1
14	Cotton	" " "	4.9	3	-	6	8.7	-	8.7	7.8	-	7.8	7.6		7.6

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEnC Vol. II; Tariff Commission Reports.

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Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

DENMARK

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons	6.5	39	-	39	37.9	-	37.9	37.3	-	37.3	43.0	-	43.0
16	Phosphates - Soluble	1,000 metric tons		-	92	92	-	90.9	90.9	-	56.5	56.5		96.2	96.2
17	Potash	1,000 metric tons		60	-	60	37.0	-	37.0	5.7	-	5.7	37.9	-	37.9
18	Agricultural Machinery														
	Tractors	Units	150	6,000	-		250	-	250	500	-	500	1,700	-	1,700
	Other Agricultural Machinery	metric tons	1500	9,400	14,500		4,000	14,000	18,000	4,300	13,000	17,300	6,100	14,000	20,100
19	Coal	1,000 metric tons	993.1	6,006	-	6,006	5,396	-	5,393	3,789	-	3,789	4,600	-	4,600
21	Petroleum Products	1,000 metric tons	651.1	1,097	-	1,097	905	-	905	743	-	743	1,170	-	1,170
22	Timber	1,000 cubic meters	81.8	1,315	407	1,722	1,180	446	1,611						
23A	Finished Steel	1,000 metric tons	87.9	315	35	350	337	6	340	325		290	263	91	353
23B	Crude and Semi-Finished Steel	1,000 metric tons		-	40	40	-	6	6	-	31	31	-	30	30
23C	Pig Iron	1,000 metric tons	3.0	55	20	75	44	-	44	41	3	44	44	30	74
23D	Scrap Iron	1,000 metric tons		-	75	35	-	117	30	-	75	30	-	65	30
24	Trucks	Units	2678	8,000	-	6,215	7,216	250	2,761		-				
25	Freight Cars	Units		-	200	200		1,000		-	200	200	-	550	550
29	Copper	1,000 metric tons		-	-	-	-	-	-	-	-	-			
30	Tin	metric tons		600	-	600	700	-	700	400	-	400	500	-	500
31	Lead	1,000 metric tons	1.1	5	-	5	8	-	8	7	-	7	4	-	3
32	Zinc	1,000 metric tons		2	-	2	3	-	3	5	-	5	5	-	5
33	Aluminum	1,000 metric tons		1	-	3							3	-	3
34	Wool	1,000 metric tons		7.	1.	8.	2.1	0.4	2.4	4.1	0.5			0.2	
35	Wool Yarn	metric tons		2,000	6,500	8,500	1,500	5,600	7,000	700	3,500	4,200	1,600	6,000	7,400
36	Woolens and Worsteds	metric tons		3,000	5,000	8,000	2,600	2,600	5,200	2,700	1,700	4,400	1,500	2,700	4,200
37	Cotton Yarn	metric tons		2,000	7,000	9,000	3,300	7,600	10,600	1,900	6,300	8,200	3,100	6,500	9,600
38	Cotton Cloth	metric tons		7,500	7,390	14,890	7,700	6,200	13,900	4,200	5,000	9,200	2,800	5,600	8,400
39	Wood Pulp	1,000 metric tons		65	4	84	50	6	56	62	2	64	110		110
40	Newsprint	1,000 metric tons		42	-	42	51	-	51	44	-	44	41	-	41
41	Rubber	1,000 metric tons		4	-	4	2.6	-	2.6	3.6	-	3.6	4.0	-	4.0
43	Fish	1,000 metric tons		8	122	58	24	111	56	2	249		15	198	86

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; CEEC Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some date are fiscal 1946
1947 - some date are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

FRANCE

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed 4/1/48-3/31/49	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					149	8560	8709	512	7299	7811	1500	4532	6032
02	Coarse grains	" " "					894	6497	7391	797	5193	5990	500	4802	5302
	TOTAL grains	" " "	1407.9	900	14197	15097	1,043	14057	16100	1309	12492	13801	2000	9334	11334
03	Fats and oils	" " "	66.8	397	320	717	640	365	898	251	285	536	340	291	631
04	Oilcake and meal	" " "	136.5	425	90	515	856	14	753	339	69	408	335	36	371
05	Sugar	" " "	265.3	110	810	860	390	983	1107	144	764	684	60.0	550.4	610.4
06	Meat	" " "	14.4	18	1774	1792	25	1671	1693	124	1184	1307	64	1569.	1628
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		–	100	98	13.9	165	178.9	6.7	98.0	103.7	3.	111.	107.
	Canned milk	" " "	30.0	25	20	45	18.	13	31.	35.0	17.5	47.5	20	20	32
	Dried milk	" " "	10.8	17	1	18	–	3.5	3.5	18.	1.	18.	18	1	18
08	Eggs (Shell equivalent)	" " "		5	370	375	12.9	354.3	366.0	1.5	342.9	344.0	4.8	354.3	359.1
09	Dried fruits	" " "	5.7	30	48	71	30	–	30	–	–	–	8	48	52.
10	Rice	" " "	15.5	36	–	36	500	–	500	2	–	2	19	–	19
11	Coffee	" " "	10.0	85	–	85	182	–	182	47	–	47	67	–	67
12	Other foods - TOTAL	" " "													
	Pulses	" " "	15.0	55	150	205	36	207	237	60	135	195	30	137	167
	Fresh fruit	" " "	37.3	500	2150	2610	525	3800	4175	300	2100	2300	300	1800	2000
	Cocoa	" " "		47	–	47	48	–	48	40	–	40	45	–	45
	Tea	" " "		1	–	1	1.3	–	1.3		–			–	
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	18.3	25	40	65	28.8	35.7	64.2	37.2	40.8	77.9	31.1	46.5	77.1
14	Cotton	" " "	118.9	276	–	276	262.8	–	219.8	211.7	–	211.7	173.9	–	173.9

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEEC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A., during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

FRANCE

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed 4/1/48-3/31/49	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons	48.0	120	220	340	90	150	240	93	92	185	56	150	206
16	Phosphates - Soluble	1,000 metric tons		-	600	600	-	405	405	-	163	163	-	340	340
17	Potash	1,000 metric tons		-	600	600	-	470	275	-	364	184	-	570	320
18	Agricultural Machinery														
	Tractors	Units	21,150	16,000	14,500		23,620	1,320	25,000	8,000	1,400	9,400	11,500	3,500	15,000
	Other Agricultural Machinery	metric tons	29,200	34,000	167,500								25,000	75,000	100,000
19	Coal	1,000 metric tons	10,401.1	23,500	53,000	76,000	22,099	47,562	68,511	10,400	49,298	59,259	16,200	47,150	62,850
21	Petroleum Products	1,000 metric tons	5,648.7	7,539	81	7,620	9,255	278	7,633	5,610	63	4,239	8,173	61	6,086
22	Timber	1,000 cubic meters	537.2	2,819	9,760	12,175	1,807	8,057	9,318						
23A	Finished Steel	1,000 metric tons	137.0	747	4,725	5,400	64	4,115	3,523	451	3,036	3,423	438	4,090	4,450
23B	Crude and Semi-Finished Steel	1,000 metric tons	54.0	69	8,000	7,843	1	6,221	6,058	93	4,404	4,495	90	5,812	5,838
23C	Pig Iron	1,000 metric tons		-	7,000	7,000	32	5,967	5,897	48	3,437	3,431	-	4,312	4,312
23D	Scrap Iron	1,000 metric tons		-	4,310	4,000	13	3,062	2,735	17	2,424	2,439	-	3,293	3,264
24	Trucks	Units		-	71,500	58,070		39,500		21,024	62,508	60,482	5,454	61,095	42,225
25	Freight Cars	Units		6,700	3,200	9,500		1,200		4,850	1,000	5,850	29,100	1,800	30,900
29	Copper	1,000 metric tons	30.5	107	-	107	120	1	109	113	-	110	113	-	112
30	Tin	metric tons		12,000	-	12,000	10,000	-	10,000	7,000	-	7,000	10,000	-	10,000
31	Lead	1,000 metric tons	227	75	10	85	99	5	94	84	12	93	86	11	96
32	Zinc	1,000 metric tons	38	95	5	100	111	1	84	121	9	127	155	11	164
33	Aluminum	1,000 metric tons		-	75	55	-	35	28	10	46	56	23	50	71
34	Wool	1,000 metric tons	12.2	200	13	196	193	17	185	244	12	254	176	13	188
35	Wool Yarn	metric tons		1,000	127,000	115,400	1,100	82,700	76,800	-	92,600	87,000	-	111,000	100,000
36	Woolens and Worsteds	metric tons		2,000	79,000	70,500	1,800	56,800	54,500	5,700	50,500	51,800	1,700	70,000	62,700
37	Cotton Yarn	metric tons		3,000	243,000	239,000	1,400	240,900	235,200	500	171,900	170,900	4,000	195,000	194,000
38	Cotton Cloth	metric tons	2,356.2	3,000	160,000	116,597	1,400	144,600	104,500	1,000	101,300	93,100	1,000	128,000	93,000
39	Wood Pulp	1,000 metric tons		315	360	673	662	357	1,015	254	255	513			
40	Newsprint	1,000 metric tons		47	180	227	44	385	429	136	122	258			
41	Rubber	1,000 metric tons	4.5	86	-	86	60	-	60	90	-	90	77	-	77
43	Fish	1,000 metric tons	4.0	109	225	328	52	300	317	39	190	227	55	215	264

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; OSRC Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

GREECE

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					429	879	1,308	326	826	1,152	600	604	1,204
02	Coarse grains	" " "					55	620	675	109	496	605	50	486	536
	TOTAL grains	" " "	244.5	790	1,421	2,121	584	1,499	1,983	435	1,322	1,757	650	1,090	1,740
03	Fats and oils	" " "	.4	8	110	101	-	120	111	6	30	35	81	-	81
04	Oilcake and meal	" " "		-	28	28	6	30	35	6	10	16	5	10	15
05	Sugar	" " "	54.8	80	-	80	81	-	81	63	-	63	100	-	100
06	Meat	" " "		13	84	97	1	88	89	29	10	99	14	77	91
07	Dairy products, TOTAL	" " "													
	Cheese	" " "	.9	12	35	47	-	58.	58.	7.5	30.0	37.5	2	30	32
	Canned milk	" " "	11.3	32	-	32	-	-	-	55.	-	55.	20	-	20
	Dried milk	" " "	30.0	20	-	20	50.	-	50.	5.	-	5.	7	-	7
08	Eggs (Shell equivalent)	" " "		2	18	20	1.1	29.1	30.2	0.3	18.6	18.9	1.4	17.5	18.9
09	Dried fruits	" " "		-	160	40	-	240.	93.		142	130.	-	150	20
10	Rice	" " "	1.5	12	5	17	27.5	3.5	31.0	12	4	16	6	4	10
11	Coffee	" " "	2.1	4	-	4	6.	-	6.		-			-	
12	Other foods - TOTAL	" " "													
	Pulses	" " "	6.3	20	54	74	19.3	40.7	60.0	7.0	34.1	41.4	15.0	39.3	54.3
	Fresh fruit	" " "		-	421	421	-	36.	341.	-	394.	390.	-	410.	400.
	Cocoa	" " "		2	-	2	1.5	-	1.5	0.3	-	0.3	1.	-	1.
	Tea	" " "		1	-	1	0.2	-	0.2		-			-	
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "		-	50	20	-	57.2	13.4	-	28.2	15.3	-	46.9	29.2
14	Cotton	" " "	6.1	9	-	9	6.1	12.4	18.3	10.9	10.9	21.8		11.5	15.8

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEIC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A., during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons	12.0	25.	-	25.	7.	-	7.	4.4	-	4.4	11.	-	11.
16	Phosphates - Soluble	1,000 metric tons		10	25	35	1.1	14.9	16.0	4.0	9.6	13.6	-	11.1	11.1
17	Potash	1,000 metric tons		15	-	15	3.5	-	3.5	2.7	-	2.7	5.2	-	5.2
18	Agricultural Machinery														
	Tractors	Units		1,000	-		1,500	-	1,500	800	-	800	980	-	980
	Other Agricultural Machinery	metric tons		7,200	9,000		87,000	7000	94,000	7,000	1,500	23,500	35,000	4,000	39,000
19	Coal	1,000 metric tons	15.0	495	460	955	975	108	1,083	311	122	433	245	120	365
21	Petroleum Products	1,000 metric tons	19.9	754	-	754	385	-	385	405	-	405	683	-	683
22	Timber	1,000 cubic meters	13.6	125	109	234	363	90	453						
23A	Finished Steel	1,000 metric tons	32.0	125	25	140	120	15	135	-	-	-	50	8	58
23B	Crude and Semi-Finished Steel	1,000 metric tons		-	20	20	-	20	20	-	-	-	-	10	10
23C	Pig Iron	1,000 metric tons		1	-	1	1	-	1	-	-	-	-	-	-
23D	Scrap Iron	1,000 metric tons		-	20	20	-	20	20	-	-	-	-	10	10
24	Trucks	Units	968	1,500	-	1,500	653	-	653	255	-		2,269	-	2,269
25	Freight Cars	Units		1,100	-	1,100		-		80	-	80	10	-	10
29	Copper	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
30	Tin	metric tons		200	-	200	225	-	225	80		80	90		90
31	Lead	1,000 metric tons	2.1	2	-	2	-	5	3	-	-	-	-	1	-
32	Zinc	1,000 metric tons	2.5	2	-	2	1	6	1	-	-	-	-	1	-
33	Aluminum	1,000 metric tons			-	-	-	-	-	-	-	-	-	-	-
34	Wool	1,000 metric tons		3	7	10	3.3	8.8	14.7	1.0	5.9			6.8	
35	Wool Yarn	metric tons		2,000	7,500	9,500	1,500	900	2,400	263	-	263		-	
36	Woolens and Worsteds	metric tons		500	6,270	6,770	500	1,900	2,400	163	-	163		-	
37	Cotton Yarn	metric tons		-	7,600	7,100	757	15,750	15,127	46	-			15,100	
38	Cotton Cloth	metric tons		5,000	14,500	19,500	3,587	4,290	7,877	222				4,200	
39	Wood Pulp	1,000 metric tons		14	-	14	24	-	24	15	-	15			
40	Newsprint	1,000 metric tons		9	-	9	7	-	7	4	-	4			
41	Rubber	1,000 metric tons		1	-	1	0.8	-	0.8	0.5	-	0.5	2.1	-	2.1
43	Fish	1,000 metric tons	5.3	32	-	32	20	33		23	17		9	27	

Source: ECAP materials for Appropriation Committee; Official Statistics of Foreign Governments; CSRE Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

ICELAND

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					-	-	-	-	-	-	10	-	10
02	Coarse grains	" " "					-	-	-	-	-	-	5	-	5
	TOTAL grains	" " "	12.0	15	-	15	-	-	-	-	-	-	15	-	15
03	Fats and oils	" " "	6	1	40	6.	2	22	4	1	23	4	1	38	5
04	Oilcake and meal	" " "		-	-	-	-	-	-	-	-	-	-	-	-
05	Sugar	" " "	6.7	6	-	6	6	-	6	6	-	6	6	-	6
06	Meat	" " "		-	7	7	-	5	4	-	7	6	-	7	7
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		-	-	-	-	-	-	-	-	-	-	-	-
	Canned milk	" " "		-	-	-	-	-	-	-	-	-	-	-	-
	Dried milk	" " "		-	-	-	-	-	-	-	-	-	-	-	-
08	Eggs (Shell equivalent)	" " "		-	-	-	-	-	-	-	-	-	-	-	-
09	Dried fruits	" " "	1.0	1	-	1	2	-	2	3	-	3	1	-	1
10	Rice	" " "		-	-	-	1	-	1	1	-	1	1	-	1
11	Coffee	" " "	.6	1	-	1	5	-	5		-			-	
12	Other foods - TOTAL	" " "													
	Pulses	" " "		-	-	-	0.2	-	0.2	0.2	-	0.2	0.2	-	0.2
	Fresh fruit	" " "	2.0	5	-	5	-	-	-	-	-	-	-	-	-
	Cocoa	" " "		-	-	-	0.2	-	0.2	0.2	-	0.2	0.2	-	0.2
	Tea	" " "		-	-	-		-			-			-	
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	.2	-	-	-	0.1	-	0.1	0.1	-	0.1	0.1	-	0.1
14	Cotton	" " "		-	-	-	-	-	-	-	-	-	-	-	-

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEPC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

ICELAND

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed [1/1/48-3/31/49]	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons	1.0	2	-	2	2	-	2	3	-	3	5	-	5
16	Phosphates - Soluble	1,000 metric tons		1	-	1	7	-	7	6	-	6	9	-	9
17	Potash	1,000 metric tons		1	-	1	1	-	1	1	-	1	2	-	2
18	Agricultural Machinery														
	Tractors	Units	150	-	-		-	-	-	-	-	-	-	-	-
	Other Agricultural Machinery	metric tons	600	800	100		-	-	-	-	-	-	-	-	-
19	Coal	1,000 metric tons		175	-	175	158	-	158	95	-	95	170	-	170
21	Petroleum Products	1,000 metric tons	40.0	105	-	105	20	-	20	62	-	62	105	-	105
22	Timber	1,000 cubic meters	26.7	39	-	39	26	-	26						
23A	Finished Steel	1,000 metric tons	2.0	15	-	15	4	-	4	14	-	14	15	-	15
23B	Crude and Semi-Finished Steel	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
23C	Pig Iron	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
23D	Scrap Iron	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
24	Trucks	Units	188	250	-	250	36	-	36	843	-	843	1,494	-	1,494
25	Freight Cars	Units		-	-	-	-	-	-	-	-	-	-	-	-
29	Copper	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
30	Tin	metric tons		50	-	50		-			-			-	
31	Lead	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
32	Zinc	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
33	Aluminum	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
34	Wool	1,000 metric tons		-	-	-	-	0.8	0.5	-	0.7	-	0	0.7	-
35	Wool Yarn	metric tons		-	-	-									
36	Woolens and Worsteds	metric tons		57	-	57									
37	Cotton Yarn	metric tons		20	-	20									
38	Cotton Cloth	metric tons		400	-	400									
39	Wood Pulp	1,000 metric tons		-	-	-	5	-	5	14	-	14			
40	Newsprint	1,000 metric tons		1	-	1	-	-	-	1	-	1			
41	Rubber	1,000 metric tons		-	-	-									
43	Fish	1,000 metric tons		-	273	3	-	163	-	-	262			275	

Source: EAP materials for Appropriation Committee; Official Statistics of Foreign Governments; OSRC Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

IRELAND

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					426	210	636	175	475	650	275	483	758
02	Coarse grains	" " "					317	688	1,005	95	831	926	369	824	1,189
	TOTAL grains	" " "	413.1	645	1,324	1,969	743	898	1,641	270	1,306	1,576	644	1,307	1,947
03	Fats and oils	" " "	1.0	12	62	68	15	80	61	19	61	73	9	52	56
04	Oilcake and meal	" " "	9.4	17	-	17	32	-	32	6	-	6	11	-	11
05	Sugar	" " "	18.5	15	100	115	40	82	122	24	68	92	64	66	130
06	Meat	" " "		-	303	271	-	152	120	-	172	140	-	163	149
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		-	3	3	-	2	1.5	-	3	3	-	3	3
	Canned milk	" " "		-	12	7	-	10	5.	-	11	6	-	12	7
	Dried milk	" " "		-	3	3	-	3	3.	-	3	3	-	3	3
08	Eggs (Shell equivalent)	" " "		-	46	34	-	67.9	45.9	-	50.1	36.3	-	41.3	31.5
09	Dried fruits	" " "	.9	10	-	10	9	-	9	12	-	12	10	-	10
10	Rice	" " "		1	-	1	4	-	4	4	-	4	4	-	4
11	Coffee	" " "		1	-	1	3	-	3.	5	-	5	5	-	5
12	Other foods - TOTAL	" " "													
	Pulses	" " "		6	1	7	1.5	-	1.5	2.0	0.5	2.5	3.25	0.75	4.0
	Fresh fruit	" " "		35	35	70	36	23	59	36	34	70.	35.	35.	70.
	Cocoa	" " "		1	-	1	1.7	-	1.7	0.7	-	0.7	2.5	-	2.5
	Tea	" " "		10	-	10	10.3	-	10.3	4.	-	4.	7.	-	7.
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	3.5	6	-	6	6.3	0.2	6.5	7	-	6.9	6.5	-	6.4
14	Cotton	" " "	1.5	2	-	2	-	-	-	-	-	-	1.3	-	1.3

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEIC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

IRELAND

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons	1.0	14	-	14	6.5	0.4	6.9	14.	-	14.	14.	-	14.
16	Phosphates - Soluble	1,000 metric tons		10	50	60	-	30.3	30.3	10.4	50.4	60.8	10.0	50.0	60.0
17	Potash	1,000 metric tons		14	-	14	-	-	7	14	-	14	14	-	14
18	Agricultural Machinery														
	Tractors	Units	230	2,500	-		250	-	250	1,432	-	1,432	2,400	-	2,400
	Other Agricultural Machinery	metric tons	1000	8,100	3,300		2,000	2,500	4,500	7,500	2,600	10,100	7,500	2,850	10,350
19	Coal	1,000 metric tons		1,875	210	2,085	2,541	120	2,651	1,365	215	1,580	1,274	210	1,484
21	Petroleum Products	1,000 metric tons	155.8	570	1	571	319	-	319	256	-	256	350	-	350
22	Timber	1,000 cubic meters	116.4	300	68	359	445	54	480						
23A	Finished Steel	1,000 metric tons	5.3	51	8	59	45	3	48	29	2	31	56	2	58
23B	Crude and Semi-Finished Steel	1,000 metric tons		-	9	9	-	-	-	-	-	-	-	2	2
23C	Pig Iron	1,000 metric tons		9	-	9	9	-	9	3	-	3	2	-	2
23D	Scrap Iron	1,000 metric tons		-	21	11	-	25	-	-	25	-	-	35	3
24	Trucks	Units	329	2,400	-	2,400	393	-		1,351	-		5,352	-	5,352
25	Freight Cars	Units		200	-	200		-			-			-	
29	Copper	1,000 metric tons		-	-	-	-	-	-	-	-	-			
30	Tin	metric tons		50	-	50	50	-	50	25	-	25	30	-	30
31	Lead	1,000 metric tons	1.5	2	-	2	2	-	2	-	-	-			
32	Zinc	1,000 metric tons		-	-	-	-	-	-	-	-	-			
33	Aluminum	1,000 metric tons		-	-	-	-	-	-	-	-	-			
34	Wool	1,000 metric tons		1	6	3	0.3	7.8	1.8	1.7	6.6	4.5	2.1	6.3	4.6
35	Wool Yarn	metric tons		1,033	2,200	2,933	1,800	1,500	3,300	400	2,000	2,400	900	2,100	3,000
36	Woolens and Worsteds	metric tons		1,467	1,200	2,377	2,800	1,200	3,800	1,000	1,600	1,700	2,400	1,000	3,200
37	Cotton Yarn	metric tons	381.6	3,000	800	3,600	2,800	-	2,800	1,500	-	1,500	2,400	-	2,400
38	Cotton Cloth	metric tons	1897.2	6,207	1,840	8,047	4,600	2,000	6,600	3,000	1,100	4,000	4,600	1,800	5,300
39	Wood Pulp	1,000 metric tons		13	-	13	6.5	-	6.5	14.7	-	14.7	13.0	-	13.0
40	Newsprint	1,000 metric tons	6.0	20	-	20	26	-	26	22	-	22	13.	-	13
41	Rubber	1,000 metric tons		4	-	4	1.2	-	1.2	1.5	-	1.5	1.7	-	1.7
43	Fish	1,000 metric tons	1.0	2	22	20	9	12	16	-	24		3	21	20

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; OSEC Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

ITALY

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [7/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					504	7,738	8,242	1,457	6,592	8,049	2,100	5,688	7,788
02	Coarse grains	" " "					302	3,649	3,951	524	2,892	3,416	225	3,029	3,254
	TOTAL grains	" " "	1,519.2	2,225	10,464	12,689	806	11,387	12,193	1,981	9,484	11,465	2,325	8,717	11,042
03	Fats and oils	" " "	9.2	69	395	447	127	478	605	52	281	333	100	460	540
04	Oilcake and meal	" " "	26.7	50	33	83	157	9	159	25	10	35	26	15	41
05	Sugar	" " "	27.3	25	350	375	12	351	363	30	276	306	66.3	233.7	300.0
06	Meat	" " "	13.0	28	706	719	55	699	751	51	483	534	45	499.	544.
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		-	170	162	4.5	238.0	218.5	1.5	165.0	158.8	-	160.	152.
	Canned milk	" " "	16.1	20	-	20	-	-	-	42.	-	42.	3	-	3
	Dried milk	" " "	8.0	5	-	5	-	-	-	16.	-	16	5	-	5
08	Eggs (Shell equivalent)	" " "		-	270	270	6.2	307.7	313.5	2.2	219.8	222.0	0.2	252.7	252.9
09	Dried fruits	" " "		-	500	380	-	660	520	-	400.	380	-	500	380
10	Rice	" " "		-	422	351	-	489	352	-	345	345	-	455	439
11	Coffee	" " "	3.6	40	-	40	34	-	34	1.	-	1.	15	-	15.
12	Other foods - TOTAL	" " "													
	Pulses	" " "		50	650	650	20	535	555	30	269	299	40.0	332.8	372.8
	Fresh fruit	" " "		10	2,100	1,610	-	1,966	1,416	-	2,000	1,400	-	2,000.	1,600.
	Cocoa	" " "		9	-	9	8.5	-	8.5	8.	-	8.	8	-	8.
	Tea	" " "		1	-	1	0.1	-	0.1		-			-	
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	3.9	5	60	60	2.5	43.8	40.8	0.4	45.2	45.4	14.3	63.9	77.2
14	Cotton	" " "	103.6	198	-	198	140.7	3.5	144.2	200.7	2.6	2.6	123.9	3.3	127.2

Sources: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEFC Vol. II; Tariff Commission Reports.

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Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

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ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons	1.5	-	150	150	11	83	94	23	-	23	-	85	85
16	Phosphates - Soluble	1,000 metric tons		-	300	280	46	190	236	-	33	33	25	120	145
17	Potash	1,000 metric tons		38	2	40	22	2	24	-	2		-		2
18	Agricultural Machinery														
	Tractors	Units	330	416	[illegible]		650	[illegible]	[illegible]	[illegible]	1,600	[illegible]	[illegible]	[illegible]	2,700
	Other Agricultural Machinery	metric tons	1,850	[illegible]	[illegible]		6,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,[illegible]	[illegible]	36,000
19	Coal	1,000 metric tons	7,[illegible]3	14,746	4,846	19,548	12,133	2,[illegible]	[illegible]	5,[illegible]	2,598	8,[illegible]	[illegible],100	3,[illegible]	17,300
21	Petroleum Products	1,000 metric tons	2,091.5	4,502	-	4,502	3,121	-	2,278	2,037	-	2,031	4,[illegible]	-	3,929
22	Timber	1,000 cubic meters	2[illegible].2	2,500	1,451	3,904	2,235	1,950	4,170						
23A	Finished Steel	1,000 metric tons	46.3	101	2,127	2,100	168	1,748	1,840	30	904	934	120	1,253	1,323
23B	Crude and Semi-Finished Steel	1,000 metric tons	179.3	462	2,300	2,762	17	2,328	2,345	40	1,153	1,193	66	1,705	1,771
23C	Pig Iron	1,000 metric tons	5.0	270	600	870	70	884	954	25	189	214	164	319	483
23D	Scrap Iron	1,000 metric tons		556	1,300	1,856	627	1,174	1,801	-	-	606	62	1,315	1,515
24	Trucks	Units		-	20,000	8,355	44	18,442	10,914	342	17,994	17,531		16,063	
25	Freight Cars	Units		-	11,200	11,200		2,400			4,400			8,000	
29	Copper	1,000 metric tons	30.5	72	5	77	76	1	77	18	-	18			
30	Tin	metric tons		5,000	-	5,000	4,500	-	4,500	2,000	-	2,000	600	-	600
31	Lead	1,000 metric tons	3.4	11	20	31	19	36	53	-	14	13			
32	Zinc	1,000 metric tons	4.8	5	60	30	-	69	31	-	28	11			
33	Aluminum	1,000 metric tons		15	10	25	4	23	27	-	11	10		25	
34	Wool	1,000 metric tons	16.7	82	12	94	43	13	56	74	11	85	113	12	126
35	Wool Yarn	metric tons		-	67,000	61,000	-	69,500	67,600	-	44,700	43,400	100	53,000	48,500
36	Woolens and Worsteds	metric tons		-	45,000	34,198	300	47,700	37,110	-	37,200	34,500	-	45,000	38,400
37	Cotton Yarn	metric tons		-	183,000	168,000	-	187,300	147,600	-	120,000	112,800	-	160,000	143,200
38	Cotton Cloth	metric tons		-	118,000	91,525	500	119,100	73,300	-	71,000	62,000	100	100,000	88,400
39	Wood Pulp	1,000 metric tons		230	180	405	251	189	440	109					
40	Newsprint	1,000 metric tons		11	45	56	2	60	59	8	24	30			
41	Rubber	1,000 metric tons	1.5	30	-	30	24	-	24	18	-	18	39	-	39
43	Fish	1,000 metric tons	4.7	102	150	247	75	180		28	105		30	127	

Source: ECA materials for Appropriation Committee; Official Statistics of Foreign Governments; CSRC Vol. II; Tariff Commission Reports.

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Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
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NETHERLANDS

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					632	902	1,534	723	815	1,538	825	512	1,337
02	Coarse grains	" " "					1,208	491	1,699	295	608	903	500	527	1,027
	TOTAL grains	" " "	1,034.6	1,550	1,415	2,965	1,840	1,393	3,233	1,018	1,423	2,441	1,325	1,039	2,364
03	Fats and oils	" " "	28.8	182	75	242	372	140	272	110	65	175	150	75	210
04	Oilcake and meal	" " "	69.3	310	5	315	580	10	590	159	4	163	260	2	262
05	Sugar	" " "	21.8	140	220	338	152	231	320	71	230	285	120.4	225.6	324.0
06	Meat	" " "	15.9	25	285	282	9	406	376	40	175	215	22	191	213
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		-	70	55	-	121	61	0.5	65.0	62.8	-	62	50
	Canned milk	" " "		-	50	5	-	138	138	-	17.5	17.5	-	35	35
	Dried milk	" " "	5.8	5	18	21	-	25	12	3.2	14.0	17.2	4.0	15.0	17.5
08	Eggs (Shell equivalent)	" " "		- *	65	38	-	128.4	57.3	-	32.5	30.5	-	45.5	39.7
09	Dried fruits	" " "		58	-	58	65	-	65.	14.	-	14.	40.	-	40.
10	Rice	" " "	2.5	8	-	8	189	-	86	-	-	-	2	-	2
11	Coffee	" " "	13.3	45	-	45	37	-	37	5.	-	5.	18	-	18
12	Other foods - TOTAL	" " "													
	Pulses	" " "		10	110	100	13	150	101	4	79	72	-	67	67
	Fresh fruit	" " "		135	320	390	120	220	290	65	370	350	100	310	350
	Cocoa	" " "		36	-	36	65	-	62	31	-	31	34	-	34
	Tea	" " "		11	-	11	10	-	10	2.0	-	2.0	5	-	5
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	14.0	31	-	31	29.5	-	29.5	11.	-	11.	24.3	-	24.3
14	Cotton	" " "	32.9	59	-	59	48.0	-	47.6	47	-	47	47.8	-	47.8

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEFC Vol. II; Tariff Commission Reports.

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Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

NETHERLANDS

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed [7/1/48-3/31/49]	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons	31.0	45	75	120	24	88	72	35	34	69	51	55	106
16	Phosphates - Soluble	1,000 metric tons		38	155	133	73	96	97	11	62	73	30	112	114
17	Potash	1,000 metric tons		155	-	155	100	-	100	39	-	39	79	-	79
18	Agricultural Machinery														
	Tractors	Units	2,275	2,700	-		500	-	500	2,000	-	2,000	1,600	-	1,600
	Other Agricultural Machinery	metric tons	5,125	6,400	12,500		13,300	5,300	18,600	16,400	3,700	20,100	21,700	7,600	29,300
19	Coal	1,000 metric tons	2,126.2	6,324	11,825	17,374	8,512	13,459	16,148	3,211	8,794	11,562	3,915	13,578	13,993
21	Petroleum Products	1,000 metric tons	950.4	2,292	209	2,501	1,610	-	1,610	1,762	52	1,769	2,475	181	2,656
22	Timber	1,000 cubic meters	526.1	1,916	149	2,055	2,721	250	2,971						
23A	Finished Steel	1,000 metric tons	258.3	669	231	850	770	154	924	551	1	550	720	130	850
23B	Crude and Semi-Finished Steel	1,000 metric tons		-	350	350	-	57	57	-	138	138	-	207	207
23C	Pig Iron	1,000 metric tons		-	370	125	18	254	63	2	187	86	3	300	117
23D	Scrap Iron	1,000 metric tons		-	310	310	2	252	43	6	168	161	-	255	230
24	Trucks	Units	11,123	13,250	60	13,310	3,846	40	3,504	3,438		3,346			
25	Freight Cars	Units		-	2,500	2,500		1,200			-			350	
29	Copper	1,000 metric tons	10.5	14	-	14	10	-	9	10	-	10			
30	Tin	metric tons		27,000	-	2,000	27,000	-	1,500	1,700	-	1,400	12,500	-	3,500
31	Lead	1,000 metric tons	9.5	22	-	22	24	-	24	21	-	20	28	-	27
32	Zinc	1,000 metric tons	18.0	17	-	15	33	-	11	17	-	14			
33	Aluminum	1,000 metric tons		-	-	-	-	-	-	-	-	-			
34	Wool	1,000 metric tons	2.2	25	1	26	6.4	1.5	5.9	9.3	1.2			1.2	
35	Wool Yarn	metric tons		7,600	17,000	24,600	7,700	4,600	11,900	1,800	10,900	12,700	6,900	15,000	21,300
36	Woolens and Worsteds	metric tons		2,000	20,700	22,300	2,800	10,500	13,000	200	11,200	11,100	1,400	18,600	18,600
37	Cotton Yarn	metric tons		8,200	43,000	51,200	22,800	15,000	54,500	1,300	31,200	30,300	5,800	40,000	45,700
38	Cotton Cloth	metric tons	13,446.0	1,000	45,000	31,523	4,300	43,600	24,800	1,000	24,000	21,900	3,130	36,000	31,900
39	Wood Pulp	1,000 metric tons		120	36	153	112	121	231	114	2	112			
40	Newsprint	1,000 metric tons		-	63	63	15	96	102	15	35	50			
41	Rubber	1,000 metric tons		13	-	10	4	-	4	4	-	4	10	-	10
43	Fish	1,000 metric tons	4.2	10	225	99	2	127	66	-	49		2	144	104

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; OEEC Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods. Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing - Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

NORWAY

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					352	75	427	278	80	358	335	70	405
02	Coarse grains	" " "					154	316	470 *	105	275	380	125	263	388
	TOTAL grains	" " "	11.4	525	350	875	506	391	897	383	355	738	460	333	793
03	Fats and oils	" " "		39	189	93	106	245	90	-	183	83	33	192	90
04	Oilcake and meal	" " "		51	-	51	103	-	102	79	-	79	60	-	60
05	Sugar	" " "		95	-	95	99	-	99	51	-	81	90	-	90
06	Meat	" " "		1	86	87	1	101	102	5	78	83	2	86	88
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		-	10	10	-	18	18	0.5	10.0	10.5	0.2	10.0	10.2
	Canned milk	" " "		-	1	1	-	1	1	-	1.	1.	-	1.	1.
	Dried milk	" " "		-	1	1	-	1	1	-	1.	1.	-	1.	1.
08	Eggs (Shell equivalent)	" " "		-	17	17	-	21.5	20.4	1.	9.	10.	1.	13.	14
09	Dried fruits	" " "		6	-	6	8	-	8.	1	-	1	6	-	6
10	Rice	" " "		8	-	8	5	-	5	-	-	-	1	-	1
11	Coffee	" " "	3.2	16	-	16	19	-	19.	8	-	8	16	-	16
12	Other foods - TOTAL	" " "													
	Pulses	" " "		4	4	8	6.1	2.5	8.6	4.7	4.6	9.3	4.5	1.0	5.5
	Fresh fruit	" " "		40	33	73	40.	50.	90.	29.	77.	106.	35	30	65.
	Cocoa	" " "		4	-	4	4	-	4	4	-	4.	3	-	3
	Tea	" " "		1	-	1	0.2	-	0.2		-		0.2	-	0.2
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	1.4	5	-	5	2.7	-	2.7	4.3		4.3	4.1	-	4.1
14	Cotton	" " "		4	-	4	3.3	-	3.1	3.		3.	3.3	-	3.3

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEnC Vol. II; Tariff Commission Reports.

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Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

NORWAY

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed 4/1/48-3/31/49	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons		-	98	24	-	83	12	-	89	19	-	91	21
16	Phosphates - Soluble	1,000 metric tons		21	6	27	10	4	14	23	2	25	21	3	24
17	Potash	1,000 metric tons		31	-	31	13	-	13	28	-	28	28	-	28
18	Agricultural Machinery														
	Tractors	Units	900	1,800	-		400	-	400	1,300	-	1,300	1,500	-	1,500
	Other Agricultural Machinery	Metric tons	1,000	8,700	1,100										
19	Coal	1,000 metric tons	136.0	2,205	345	2,550	2,659	269	2,390	1,781	52	1,833	2,100	251	2,351
21	Petroleum Products	1,000 metric tons	178.4	991	-	991	595	-	595	564	-	564	1,030	-	1,030
22	Timber	1,000 cubic meters		118	5,424	5,064	779	5,734	6,085						
23A	Finished Steel	1,000 metric tons	29.4	351	85	433	165	82	242	184	53	236	325	66	388
23B	Crude and Semi-Finished Steel	1,000 metric tons		30	67	97	18	65	82	3	51	52	8	57	65
23C	Pig Iron	1,000 metric tons		-	52	32	12	37	23	-	80	36	1	71	29
23D	Scrap Iron	1,000 metric tons		-	85	85	7	80	74	-	86	68	-	79	73
24	Trucks	Units	780	1,800	-	1,800	2,867	-	2,867	8,185	-	8,185	2,795	-	2,795
25	Freight Cars	Units		-	300	300					-			-	
29	Copper	1,000 metric tons		-	10	5	3	20	10	1	12	2			
30	Tin	metric tons		500	-	500	550	-	550	300	-	300	400	-	400
31	Lead	1,000 metric tons		4	-	4	4	-	3	5	-	5	4	-	4
32	Zinc	1,000 metric tons		25	8	10	40	9	3	37					
33	Aluminum	1,000 metric tons		-	26	5	-	23	1	-	17	6	-	24	7
34	Wool	1,000 metric tons		5	3	8	0.9	2.7	3.5	3.5	2.6	6.1	4.0	2.7	6.7
35	Wool Yarn	metric tons		1,600	6,000	7,600	1,600	5,000	6,600	700	5,500	6,200	1,600	6,000	7,600
36	Woolens and Worsteds	metric tons		1,850	3,100	4,950	1,700	2,700	4,400	700	2,500	3,200	2,200	2,800	5,000
37	Cotton Yarn	metric tons	457.0	5,000	3,300	8,300	3,800	3,000	6,800	2,900	1,200	4,100	4,300	2,900	7,200
38	Cotton Cloth	metric tons		9,100	3,700	12,800	4,900	3,600	8,500	7,400	2,200	9,500	6,700	3,800	10,500
39	Wood Pulp	1,000 metric tons		-	765	486	19	1,096	459	57	457	347			
40	Newsprint	1,000 metric tons		-	115	19	-	191	14	-	100	12	-	108	12
41	Rubber	1,000 metric tons		4	-	4	2.1	-	2.1	1.2	-	1.2	4.2	-	4.2
42	Fish	1,000 metric tons		-	805	413	-	921	280	-	323		-	835	410

Source: ECA materials for Appropriation Committee; Official Statistics of Foreign Governments; OSRC Vol. II., Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

PORTUGAL

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					13	552	565	195	660	855	295	490	785
02	Coarse grains	" " "					40	467	507	118	712	830	100	566	666
	TOTAL grains	" " "		330	1,178	1,508	53	1,619	1,672	313	1,372	1,685	395	1,056	1,451
03	Fats and oils	" " "		35	75	110	27	86	113	20	74	94	36	110	142
04	Oilcake and meal	" " "		65	1	66	20	1	21	25	1	26	30	1	31
05	Sugar	" " "		100	-	100	67	-	67	75	-	75	100	-	100
06	Meat	" " "		12	85	97	-	132	132	4	95	99	3	91	94
07	Dairy products, TOTAL	" " "											-		
	Cheese	" " "		-	10	10	-	6	6	-	10	10	-	10	10
	Canned milk	" " "		-	-	-	-	-	-	-	-	-	-	-	-
	Dried milk	" " "		-	-	-	-	-	-	-	-	-	-	-	-
08	Eggs (Shell equivalent)	" " "		1	6	7	-	13.7	13.1	-	13.7	13.7	-	13.7	13.4
09	Dried fruits	" " "		-	-	-	-	30.	19.	-	34.	14.	-	30.	15.
10	Rice	" " "		7	49	56	8.3	39.1	47.4	21	41	62	51	-	51.
11	Coffee	" " "		7	-	7	6.	-	6.	5	-	5	5	-	5.
12	Other foods - TOTAL	" " "													
	Pulses	" " "		20	125	145	10	122	132	15	125	140	10	125	135
	Fresh fruit	" " "		12	275	283	-	250	238	-	250	242	-	250	238
	Cocoa	" " "		1	-	1	-	-	-	-	-	-	-	-	-
	Tea	" " "		1	-	1	0.2	-	0.2	0.5	-	0.5	0.2	-	0.2
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "		5	-	5	2.9	-	2.9	4.4	-	4.4	4.2	-	4.2
14	Cotton	" " "		31.	-	31	24.8	-	24.8	25.4	-	25.4	34.8	-	34.8

Source. ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEEC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A., during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

PORTUGAL

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons		25	-	25	9	-	9	46	-	46	17	-	17
16	Phosphates - Soluble	1,000 metric tons		-	51	51	1	26	27	-	49	49	-	49	49
17	Potash	1,000 metric tons		8	-	8	2	-	2	10	-	7	9	-	7
18	Agricultural Machinery														
	Tractors	Units		1,000	-		800	-	800	166	-	166	250	-	250
	Other Agricultural Machinery	metric tons		9,400	1,100		-	-	-	-	-	-	-	-	-
19	Coal	1,000 metric tons		1,380	450	1,830	1,150	360	790	625	525	1,150	900	440	1,340
21	Petroleum Products	1,000 metric tons		584	-	584	431	-	417	492	-	478	737	-	724
22	Timber	1,000 cubic meters		188	1,526	1,391	355	1,626	1,681						
23A	Finished Steel	1,000 metric tons		100	-	100	121	-	121	149	-	149	100	-	100
23B	Crude and Semi-Finished Steel	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
23C	Pig Iron	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
23D	Scrap Iron	1,000 metric tons		-	21	-	-	10	-	-	11	-	-	21	-
24	Trucks	Units		4,000	-	4,000	5,215	-	5,215	2,781	-	3,971	4,625	-	4,625
25	Freight Cars	Units		-	-	-		-		1,686	-	1,600	900	-	900
29	Copper	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
30	Tin	metric tons		200	-	200	275	800	275	-		375	-	450	200
31	Lead	1,000 metric tons		2	-	2	2	-	2	3	-	3	2	-	2
32	Zinc	1,000 metric tons		1	-	1	1	-	1	2	-	1	1	-	1
33	Aluminum	1,000 metric tons		2	-	2	-	-	-	1	-	1	1	-	1
34	Wool	1,000 metric tons		12	8	20	1.4	7.0	7.7	6.6	8.0	14.2		8.2	
35	Wool Yarn	metric tons		-	7,500	7,500	3,300	-	3,300	7,200	-	7,200	4,100	19,300	23,300
36	Woolens and Worsteds	metric tons		50	4,600	4,650	-	2,000	1,100	-	4,000	3,900	-	4,300	4,100
37	Cotton Yarn	metric tons		-	30,000	29,000	200	18,000	16,000	100	30,000	29,000	200	30,000	30,000
38	Cotton Cloth	metric tons		-	21,000	15,966	500	16,000	12,700	100	23,400	17,600	200	25,000	21,600
39	Wood Pulp	1,000 metric tons		14	6	20	15	5	20	19	6	25	11	4	15
40	Newsprint	1,000 metric tons		-	3		-	3	-	-	3	-			
41	Rubber	1,000 metric tons		2	-	2	1	-	1	3	-	4	1	-	1
43	Fish	1,000 metric tons		45	210	202	43	174	166	17	213		24	210	190

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; CSRC Vol. II.; Tariff Commission Reports.

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Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

SWEDEN

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					-	1,094	1,056	18	970	988	240	532	772
02	Coarse grains	" " "					129	2,085	2,214	49	1,519	1,568	70	1,406	1,476
	TOTAL grains	" " "		225	2,860	3,085	179	3,179	3,270	67	2,489	1,938	310	1,938	2,248
03	Fats and oils	" " "		37	100	127	93	88	181	26	108	134	32	104	136
04	Oilcake and meal	" " "		125	19	144	273	-	273	172	14	186	175	16	191
05	Sugar	" " "		96	254	350	8	301	309	9	290	299	49.2	240.8	290
06	Meat	" " "		30	294	324	7	294	287	10	284	294	9	284	293
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		-	45	45	0.4	32.0	32.4	0.6	45.0	45.6	-	47.0	47.0
	Canned milk	" " "		-	8	8	-	1.	1.	-	1.	1.	-	1.	1.
	Dried milk	" " "		-	15	15	-	2.	2.	3.	5.	8	-	12.	12.
08	Eggs (Shell equivalent)	" " "		1	70	71	0.5	53.3	50.1	7.1	60.4	67.5	2.1	69.5	71.6
09	Dried fruits	" " "		25	-	25	22.	-	22	36	-	36.	15	-	15
10	Rice	" " "		8	-	8	13	-	13	-	-	-	3	-	3
11	Coffee	" " "	3.9	50	-	50	50	-	50	27	-	27	49	-	49
12	Other foods - TOTAL	" " "													
	Pulses	" " "		5	41	42	8	42	42	1	33	34	1.0	23.3	24.3
	Fresh fruit	" " "	16.5	150	135	285	77	125	202	150	159	289	80.	130.	210
	Cocoa	" " "		12	-	12	6	-	6	8	-	8	8.	-	8.
	Tea	" " "		-	-	-	0.4	-	0.4	0.5	-	0.5	0.5	-	0.5
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	1.8	9	-	9	6.1	0.5	6.6	6.5	0.5	7.0	10.7	0.4	11.1
14	Cotton	" " "		36	-	36	32.6	-	32.4	18.7	-	18.7	21.7	-	21.7

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEIC Vol. II; Tariff Commission Reports.

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1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

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SWEDEN

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons		36	19	55	19	17	36	20	18	38	27	21	48
16	Phosphates - Soluble	1,000 metric tons		-	68	68	50	3	53	-	59	59	-	58	58
17	Potash	1,000 metric tons		44	-	44	35	-	35	19	-	19	40	-	40
18	Agricultural Machinery														
	Tractors	Units		6,000	2,750		2,000	300	2,300	200	700	900	3,200	2,000	5,200
	Other Agricultural Machinery	metric tons		6,500	46,000										
19	Coal	1,000 metric tons		6,933	200	7,133	7,733	286	8,010	3,567	301	3,868	5,090	275	5,365
21	Petroleum Products	1,000 metric tons	172.5	2,104	53	2,157	1,341	-	1,341	1,738	61	1,805	3,334	53	3,387
22	Timber	1,000 cubic meters		139	19,926	17,229	363	22,611	18,911						
23A	Finished Steel	1,000 metric tons		495	950	1,295	313	687	1,000	472	848	1,200	500	845	1,255
23B	Crude and Semi-Finished Steel	1,000 metric tons		-	1,300	1,300	-	995	973	6	1,203	1,206	5	1,195	1,197
23C	Pig Iron	1,000 metric tons		20	850	820	76	668	620	97	690	770	70	720	790
23D	Scrap Iron	1,000 metric tons		120	650	770	24	551	599	68	624	690	70	630	690
24	Trucks	Units		-	4,500	2,855	3,365	9,130	9,549	8,801	6,405		8,767		
25	Freight Cars	Units		-	1,100	600					900		-	1,000	1,000
29	Copper	1,000 metric tons		63	15	73	49	8	46	52	16	68	54		
30	Tin	metric tons		2,000	-	2,000	2,000	-	2,000	727	-	727	1,450	-	1,450
31	Lead	1,000 metric tons		15	10	25	20	9	19	19	10	29	18		
32	Zinc	1,000 metric tons		25	50	25	16	16	16	25	51	25	20		
33	Aluminum	1,000 metric tons		4	5	9	3	2	5	4	5	9			
34	Wool	1,000 metric tons		18	1	19	6.8	0.6	7.2	19.5	0.6	19.6	17.0	0.5	16.4
35	Wool Yarn	metric tons		3,000	22,000	25,000	3,300	14,100	17,400	2,900	23,100	26,000	4,100	19,300	23,300
36	Woolens and Worsteds	metric tons		3,250	16,800	20,050	1,500	11,800	13,300	2,200	17,600	19,800	5,300	15,400	20,500
37	Cotton Yarn	metric tons	392.6	3,000	29,000	32,000	3,400	28,400	31,800	2,600	27,500	30,100	5,700	28,000	33,600
38	Cotton Cloth	metric tons		7,200	27,000	34,200	4,500	20,200	24,700	6,300	1,900	25,300	15,900	20,000	35,900
39	Wood Pulp	1,000 metric tons		-	2,970	1,170	11	3,524	982	-	2,683	887			
40	Newsprint	1,000 metric tons		-	279	108	-	283	85	-	263	142			
41	Rubber	1,000 metric tons		12	-	12	6.8	-	6.8	11.2	-	11.2	15.7	-	15.7
43	Fish	1,000 metric tons		27	107	113	50	144	154	22	204		24	213	183

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; OSRC Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

SWITZERLAND

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					476	197	673	261	261	522	450	216	666
02	Coarse grains	" " "					431	34	465	269	240	509	350	192	542
	TOTAL grains	" " "		825	486	1,311	907	231	1138	530	501	1031	800	408	1208
03	Fats and oils	" " "		54	30	84	58	34	92	35	27	62	48	24	72
04	Oilcake and meal	" " "		42	5	47	39	-	39	29	6	35	38	5	43
05	Sugar	" " "		168	20	188	168	10	178	167	22	189	137.7	20.3	158
06	Meat	" " "		39	130	169	8	190	198	11	118	129	14	125.	139
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		-	40	39	1.4	51	31.4	0.5	38.0	36.5	1.0	38.0	35.5
	Canned milk	" " "		-	7	7	-	6.5	0.5	0.2	7.0	7.2	7.8	7.0	14.8
	Dried milk	" " "		-	3	3	-	4.0	3.0	1.0	2.5	3.5	3.5	2.5	6.0
08	Eggs (Shell equivalent)	" " "		10	22	32	14.2	23.2	37.4	16.8	16.5	33.3	14.8	18.1	32.9
09	Dried fruits	" " "		5	-	5	10	-	10	3.	-	3.	5	-	5.
10	Rice	" " "		12	-	12	18	-	18	12	-	12	7	-	7
11	Coffee	" " "		17	-	17	17	-	17	7.	-	7.	19	-	19.
12	Other foods - TOTAL	" " "													
	Pulses	" " "		13	-	13	3.	-	3	2.7	-	2.7	3.7	-	3.7
	Fresh fruit	" " "		40	650	665	47	641.	660	35.	1,051	1,041.	40.	750.	766.
	Cocoa	" " "		15	-	15	8	-	8	8.	-	8.	10.	-	10.
	Tea	" " "		-	-	-	0.8	-	0.8	0.8	-	0.8	0.7	-	0.7
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "		10	3	13	7.0	1.1	8.1	8.8	2.9	11.7	10.0	2.5	12.5
14	Cotton	" " "		32	-	32	29.1	-	29.1	27.6	-	26.7	16.3	-	16.3

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEEC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

E.C.A. Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed /4/1/48-3/31/49/	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons		-	14	12	-	4.92	1.92	-	12.5	12.0	-	13.5	12.5
16	Phosphates - Soluble	1,000 metric tons		28	8	36	19.52	4.52	24.04	11.4	6.0	17.4	22.6	8.0	30.6
17	Potash	1,000 metric tons		17	-	17	8	-	8	20.8	-	20.8	18	-	18
18	Agricultural Machinery														
	Tractors	Units		800	2,250		200	1,250	1,450	100	2,000	1,800	300	2,000	2,000
	Other Agricultural Machinery	metric tons		1,000	10,000		2,200	6,700	8,900	200	9,000	9,200	1,700	9,000	10,700
19	Coal	1,000 metric tons		3,276	-	3,276	3,337	-	3,337	1,536	178	1,714	2,500	28	2,528
21	Petroleum Products	1,000 metric tons		621	13	634	481	-	481	421	-	421	755	-	755
22	Timber	1,000 cubic meters		171	2,241	2,389	88	2,394	2,473						
23A	Finished Steel	1,000 metric tons		477	103	580	228	55	283	445	95	540	460	95	543
23B	Crude and Semi-Finished Steel	1,000 metric tons		40	90	130	65	5	70	86	34	120	63	57	120
23C	Pig Iron	1,000 metric tons		70	10	80	47	-	60	52	12	70	60	12	80
23D	Scrap Iron	1,000 metric tons		60	130	190	-	134	57	7	150	157	50	120	170
24	Trucks	Units		650	550	1,200	750	595	1,245	1,268	695	1,822	2,212		
25	Freight Cars	Units		-	500	-		100		-	280		200	500	700
29	Copper	1,000 metric tons		24	-	24	20	-	20	26	-	26	23	-	23
30	Tin	metric tons		3,000	-	3,000	1,200	-	1,150	1,290	-	1,290	1,070	-	1,070
31	Lead	1,000 metric tons		15	-	15	8	-	8	21	-	21	14	-	14
32	Zinc	1,000 metric tons		12	-	12	5	-	5	11	-	11	12	-	11
33	Aluminum	1,000 metric tons		-	20	10	3	25	14	8			9		
34	Wool	1,000 metric tons		16	-	16	7.9	0.3	8.1	17.1	0.4	16.5	14.5	0.3	14.6
35	Wool Yarn	metric tons		2,000	13,300	15,300	1,400	5,900	6,800	1,800	10,000	11,700	3,300	12,500	15,700
36	Woolens and Worsteds	metric tons		2,200	11,500	13,700	1,600	4,800	6,200	800	8,200	8,800	1,900	11,000	12,800
37	Cotton Yarn	metric tons		-	21,000	19,500	2,800	24,000	22,500	2,700	18,000	20,600	4,100	20,000	23,600
38	Cotton Cloth	metric tons		-	22,000	16,040	5,600	19,000	18,800	1,400	11,000	17,800	4,500	20,000	23,100
39	Wood Pulp	1,000 metric tons		27	90	117	21	90	104	86	62	146			
40	Newsprint	1,000 metric tons		-	36	36	-	36	36	-	34	34			
41	Rubber	1,000 metric tons		2	-	2	2.3	-	2.3	3.6	-	3.6	1.4		1.4
43	Fish	1,000 metric tons		6	-	6	6	2		3.5	3		5	2	

Sources: ECA materials for Appropriation Committee; Official Statistics of Foreign Governments; OSEC Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be [illegible] after that date.

TURKEY

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					21	4,063	4,084	-	5,225	5,156	-	3,937	3,867
02	Coarse grains	" " "					-	3,165	3,057	-	3,068	2,926	-	2,422	2,372
	TOTAL grains	" " "		-	7,192	6,892	21	7,228	7,141	-	8,293	8,082	-	6,359	6,239
03	Fats and oils	" " "		3	130	123	-	140	135	-	156	156	3	117	120
04	Oilcake and meal	" " "		-	62	22	-	100	70	-	105	75	-	123	78.
05	Sugar	" " "		32	94	126	28	61	89	-	108	108	18.3	107.7	126.0
06	Meat	" " "		-	232	202	-	190	169	-	190	175	-	206	181
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		-	10	10	-	10.	10	-	10	10	-	10	10
	Canned milk	" " "		-	-	-	-	-	-	-	-	-	-	-	-
	Dried milk	" " "		-	-	-	-	-	-	-	-	-	-	-	-
08	Eggs (Shell equivalent)	" " "		-	57	54	-	53.1	47.5	-	45.7	45.0	-	46.3	40.9
09	Dried fruits	" " "		-	260	130	-	274.	274.	-	260.	137.	-	250.	140.
10	Rice	" " "		-	29	29	60	-	60	40	-	40	42	-	42
11	Coffee	" " "		6.	-	6	5	-	5	4	-	4.	4	-	4
12	Other foods - TOTAL	" " "													
	Pulses	" " "		-	200	150	-	170	125	-	170.	123	-	170	120
	Fresh fruit	" " "		-	2,200	2,194	-	1,500	1,495	-	2,000	1,996	-	2,100	2,095
	Cocoa	" " "		1	-	1	0.1		0.1	0.3	-	0.3	0.5	-	0.5
	Tea	" " "		1	-	1	0.9		0.9		-		0.8	-	0.8
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "		-	60	24	-	55.4	26.4	-	100.0	71.5	-	110.0	78.2
14	Cotton	" " "		-	-	-	-	54.6	36.3	-	59.1	58.9	-	59.8	54.4

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEIC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

TURKEY

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed /4/1/48-3/31/49/	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons		4	1	5	1	-	1	0.7	0.7	1.4	-	0.7	0.7
16	Phosphates - Soluble	1,000 metric tons		4	1	5	1	-	1	0.7	0.7	1.4	-	0.7	0.7
17	Potash	1,000 metric tons		4	1	5	1	-	1	0.7	0.7	1.4	-	0.7	0.7
18	Agricultural Machinery														
	Tractors	Units	640	2,000	-		-	-	-	180	-	180	230	-	230
	Other Agricultural Machinery	metric tons	2,000	17,000	-		2,500	-	2,500	1,360	-	1,360	3,000	-	3,000
19	Coal	1,000 metric tons		-	4,000	3,950	87	1,839	1,640	-	2,949	2,767	-	3,203	3,094
21	Petroleum Products	1,000 metric tons		349	-	349	202	-	202	240	-	240	283	-	283
22	Timber	1,000 cubic meters		365	353	718	203	504	699						
23A	Finished Steel	1,000 metric tons		115	64	174	147	-	147	46	56	102	69	57	126
23B	Crude and Semi-Finished Steel	1,000 metric tons		-	85	85	1	-	1	-	81	81	-	82	82
23C	Pig Iron	1,000 metric tons		-	115	115	4	-	-	-	96	90	-	97	80
23D	Scrap Iron	1,000 metric tons		-	11	11	-	-	-	-	12	12	-	11	11
24	Trucks	Units		4,800	-	4,800	1,294	-	1,294	2,137	-	2,137	6,012	-	6,012
25	Freight Cars	Units		900	-	900		-			-		20	-	20
29	Copper	1,000 metric tons		-	10	-	-	-	-	-	10	-		10	
30	Tin	metric tons		1,000	-	1,000	600	-	600	100	-	100	200	-	200
31	Lead	1,000 metric tons		-	1	1	-	5	-	-	-	-			
32	Zinc	1,000 metric tons		-	-	-	-	12	-	-	-	-			
33	Aluminum	1,000 metric tons		-	-	-	-	-	-	-	-	-	-	-	-
34	Wool	1,000 metric tons		4	20	18	0.2	25.1	17.9	4.0	31.3	34.9	5.6	24.9	29.8
35	Wool Yarn	metric tons		1,000	1,000	11,000	1,500	2,400	3,900	154	6,400	6,545		7,500	
36	Woolens and Worsteds	metric tons		75	8,820	8,895	500	2,700	3,200	124			150		
37	Cotton Yarn	metric tons		5,000	-	5,000	5,716	20,000	25,716	1,321	27,600	28,910	8,500	28,400	
38	Cotton Cloth	metric tons		14,400	35,000	49,400	11,336	24,000	35,835	2,122			10,200		
39	Wood Pulp	1,000 metric tons		6	12	18	6	7	13		3				
40	Newsprint	1,000 metric tons		9	5	14	9	-	9	10	-	10			
41	Rubber	1,000 metric tons		1	-	1	0.2	-	0.2	0.3	-	0.3	1.4	-	1.4
43	Fish	1,000 metric tons		-	75	58	-	22			18		-	21	

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; OSRC Vol. II; Tariff Commission Reports.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

E.C.A. Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

UNITED KINGDOM

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					5,471	1,707	7,178	5,387	2,038	7,425	5,300	1,716	7,016
02	Coarse grains	" " "					4,201	2,814	7,015	700	5,299	5,999	1,600	4,582	6,182
	TOTAL grains	" " "	1,933.7	6,300	7,993	14,293	9,672	4,521	14,193	6,087	7,337	13,424	6,900	6,298	13,198
03	Fats and oils	" " "	13.4	1,071	170	1,199	1,440	160	1,430	1,107	42	1,110	1,130	175	1,205
04	Oilcake and meal	" " "		945	22	967	1,646	-	1,646	738	-	738	900	2	902
05	Sugar	" " "	340.9	1,802	549	2,351	2,264	509	2,358	1,447	628	2,075	1,459.7	464.3	1,924.0
06	Meat	" " "	178.6	1,537	940	2,477	1,533	1,236	2,769	1,579	898	2,477	1,588	862.	2,450
07	Dairy products, TOTAL	" " "													
	Cheese	" " "	55.3	220	20	240	150	50	200	195	25	220	195	17	212
	Canned milk	" " "		86	85	171	80	172	252	90	80	170	70	57	127
	Dried milk	" " "	32.5	52	30	82	18	15	33	37	29	66	51	24	75
08	Eggs (Shell equivalent)	" " "	17.7	210	230	440	173.3	318.6	491.3	306.3	240.6	546.9	266.5	247.8	514.3
09	Dried fruits	" " "	15.8	227	-	227	178.	-	178.	193	-	193.	213	-	213.
10	Rice	" " "	136.0	20	-	20	122	-	115	-	-	-	10	-	10
11	Coffee	" " "	.4	50	-	50	16	-	16.	43	-	43.	34	-	34
12	Other foods - TOTAL	" " "													
	Pulses	" " "		121	117	238	153.	26	179	66.1	34.2		37	50	87
	Fresh fruit	" " "		1,825	604	2,429	1,418	458	1,876	960.	736	1,696	1,786	594	2,380
	Cocoa	" " "		113	-	113	104	-	98	110	-	110	101	-	101
	Tea	" " "		220	-	220	225.	-	194	177.	-	177	172	-	172
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	28.8	134.	-	109	124.6	-	108.2	196.3	-	168.5	134.1	-	110.3
14	Cotton	" " "	152.4	435.	-	435	619.6	-	592.0	415.4	-	415.4	260.7	-	260.7

Source: E.R.P material for Appropriations Committee; Official Statistics of Foreign Governments; CEIC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

ECA Financing: Includes shipments to dependent overseas territories. The physical quantities indicated in this column represent estimated commodity shipments proposed to be financed by E.C.A. during the 12-month period, April 1948 through March 1949. In addition to these commodity shipments financed by E.C.A., it is estimated that E.C.A. funds will be obligated before March 31, 1949 to procure goods which will be shipped after that date.

UNITED KINGDOM

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed 4/1/48-3/31/49	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertiliser	1,000 metric tons		4	252	180	-	137	60	-	251	165	-	240	165
16	Phosphates - Soluble	1,000 metric tons		14	361	375	20	150	170	40	319	359	44	311	355
17	Potash	1,000 metric tons		150	-	150	75	-	75	126	-	126	125	-	125
18	Agricultural Machinery														
	Tractors	Units		2,000	90,000		4,000	15,000	12,000	500	13,000	25,500	500	60,000	42,500
	Other Agricultural Machinery	metric tons		8,100	195,000		4,000	30,000	30,000	12,000	115,000	107,000	11,000	150,000	130,000
19	Coal	1,000 metric tons		-	220,500	208,500	-	231,000	192,500	-	193,000	188,400	700	199,000	198,700
21	Petroleum Products	1,000 metric tons	3,407.5	18,124	655	18,779	12,494	450	10,945	17,360	830	15,503	19,546	589	17,299
22	Timber	1,000 cubic meters	1,442.5	10,704	1,076	11,780	17,484	921	18,405						
23A	Finished Steel	1,000 metric tons		1,403	11,026	10,550	389	8,216	7,670	77	10,142	8,945	80	10,300	9,544
23B	Crude and Semi-Finished Steel	1,000 metric tons		700	14,200	14,900	408	10,564	10,947	387	12,949	13,331	550	12,480	13,030
23C	Pig Iron	1,000 metric tons		-	8,800.	8,800	402	6,765	7,072	14	7,846	7,877	10	7,900	7,900
23D	Scrap Iron	1,000 metric tons		1,066	6,900	7,966	641	6,030	6,495	450	7,899	8,349	500	7,100	7,600
24	Trucks	Units		-	142,000	89,955		86,746		17	136,504	88,782	200		
25	Freight Cars	Units		-	48,500	44,100		29,300		-	39,350	27,961	-	38,500	33,920
29	Copper	1,000 metric tons	82.3	357	10	357	405	-	293	299	-	273	373	-	353
30	Tin	metric tons		30,000	1,000	29,000	43,000	2,000	25,000	30,000	1,000	10,000	28,000	1,000	25,000
31	Lead	1,000 metric tons	43.3	250	5	255	379	27	355	160	3	159	197		
32	Zinc	1,000 metric tons	50.0	230	5	230	256	8	244	139	-	131	217		
33	Aluminum	1,000 metric tons	18.2	142	30	167	32	19	47	93	32	120	97	29	120
34	Wool	1,000 metric tons		320	34	263	384	49	299	216	40	196	282	32	234
35	Wool Yarn	metric tons		2,300	196,000	189,742	1,100	235,000	221,400	700	152,700	147,200	2,600	162,000	159,000
36	Woolens and Worsteds	metric tons		2,600	100,000	60,630	1,500	116,700	87,100	1,900	80,500	64,400	1,900	84,200	67,500
37	Cotton Yarn	metric tons		4,000	340,000	329,500	1,400	559,200	488,300	400	300,000	291,600	4,800	303,000	295,700
38	Cotton Cloth	metric tons	376.3	10,000	223,000	140,241	5,900	397,400	191,100	1,100	177,900	123,700	15,300	181,000	142,300
39	Wood Pulp	1,000 metric tons		1,022	90	1,107	1,823	201	2,017	896	73	969	898		
40	Newsprint	1,000 metric tons	85.0	220	270	490	478	910	1,331	106	299	390	125		
41	Rubber	1,000 metric tons		220	-	195	171		134	286	-	238	224	-	114
43	Fish	1,000 metric tons	51,1	322	1,150	1,392	217	1,039	1,004	365	682		308	962	1,205

Sources: ECA materials for Appropriation Committee; Official Statistics of Foreign Governments; C.S.S. Vol. II.; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average, where available; otherwise 1937 or 1938
1946 - some data are fiscal 1946
1947 - some data are fiscal 1947

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WESTERN GERMANY (BIZONE, FRENCH ZONE & SAAR)

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES
Prewar, 1946-47, 1947-48 and 1948-49

Code	Commodity	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948-49			PREWAR			1946-47			1947-48		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
01	Bread grains	1,000 metric tons					2,100	5,603	7,703	3,151	3,908	7,059	3,650	3,764	7,414
02	Coarse grains	" " "					1,573	4,989	6,562	43	3,145	3,188	650	3,620	4,270
	TOTAL grains	" " "	462.2	4,825	7,946	12,771	3,673	10,592	14,265	3,194	7,053	10,247	4,300	7,384	11,684
03	Fats and oils	" " "	3.5	206	308	514	619	479	1,098	-	255	255	-	-	-
04	Oilcake and meal	" " "		15	42	57	678	45	720	75	47	122	100	50	150
05	Sugar	" " "	16.4	450	624	1,074	769	511	1,280	8	461	469	210	445	655
06	Meat	" " "	2.2	42	713	755	71	1,969	2,037	20	907	927	1	1,043	1,044
07	Dairy products, TOTAL	" " "													
	Cheese	" " "		-	105	105	33.6	152.0	185.6	-	95	95	-	95	95
	Canned milk	" " "		-	-	-	-	20.	20.	-	-	-	-	-	-
	Dried milk	" " "		45	5.	50.	-	50	50	15.0	-	15	50	-	50
08	Eggs (Shell equivalent)	" " "		4	76	80	47.	214	261	0.4	56.0	56.4	1.1	73.0	74.1
09	Dried fruits	" " "		100	-	100	-	-	-	-	-	-	100.	-	100.
10	Rice	" " "		13	-	13	96	-	96	-	-	-	2	-	2
11	Coffee	" " "		4	-	4	104	-	104		-			-	
12	Other foods - TOTAL	" " "													
	Pulses	" " "		229	25	254	60	50	110	45.7	40.0	85.7	100	43	143
	Fresh fruit	" " "		203	1,556	1,759	400	2,117	2,517	325	1,731.	2,056.	3	1,809	1,812
	Cocoa	" " "		-	-	-	46	-	46	-	-	-	10	-	10
	Tea	" " "		2	-	2	0.3	-	0.3		-			-	
	Fresh Vegetables	" " "													
	TOTAL FOODS	" " "													
13	Tobacco	" " "	14.6	49	23	62	92.6	28.3	120.8	-	21.0	21.0	-	23.0	23.0
14	Cotton	" " "	45.4	105	-	105	181.5	-	181.5	70.7	-	70.7	87.0	-	87.0

Source: ERP material for Appropriations Committee; Official Statistics of Foreign Governments; CEIC Vol. II; Tariff Commission Reports.

"Available Supply" is generally defined as domestic production plus total imports minus exports. Account has not been taken of changes in stocks. For some commodities data on "consumption" or "requirements" had to be used.

Periods: Prewar - 1934-38 average where available; otherwise 1935-37 or 1937-39
1946-47 - some data are calendar year 1945 or 1946
1947-48 - some data are calendar year 1946 or 1947

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WESTERN GERMANY (BIZONE, FRENCH ZONE & SAAR)

ESTIMATES OF TOTAL IMPORTS, DOMESTIC PRODUCTION AND AVAILABLE SUPPLY IN PHYSICAL QUANTITIES

Prewar, 1946, 1947 and 1948/49

Code	Commodity Name	Unit	E.C.A. Shipments Financed [4/1/48-3/31/49]	1948/1949			PRE-WAR			1946			1947		
				Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply	Total Imports	Domestic Production	Available Supply
15	Nitrogen Fertilizer	1,000 metric tons		68	430	413	-	453	347	-	75	74	38	174	190
16	Phosphates - Soluble	1,000 metric tons		259	278	486			405	1	45	46	21	119	140
17	Potash	1,000 metric tons		62	538	560	21	619	640	-	197	197	22	289	311
18	Agricultural Machinery														
	Tractors	Units	2,300	2,400	10,100	12,500	240	9,400	9,640	60	200	260	15,507	2,100	17,607
	Other Agricultural Machinery	metric tons	3,600	7,700	189,768	197,468	-	-	-	25,700	97,054	122,754	231,800	126,115	357,915
19	Coal	1,000 metric tons		8,465	170,380	143,524		221,000	204,600	250	114,407	101,757	500	141,860	130,860
21	Petroleum Products	1,000 metric tons	176.3	1,495	481	1,976	3,109	1,287	4,316	1,901	529	2,540	1,207	454	1,645
22	Timber	1,000 cubic meters		1,944	25,450	13,829	4,056	15,709	17,781						
23A	Finished Steel	1,000 metric tons		932	5,843	4,959	1,336	15,723	13,461	277	2,167	2,076	252	2,636	2,185
23B	Crude and Semi-Finished Steel	1,000 metric tons		150	7,625	7,675	302	20,782	20,926	21	2,986	2,972	41	3,562	3,541
23C	Pig Iron	1,000 metric tons		140	6,290	6,230	319	18,309	2,753	22	2,461	2,450	46	2,873	2,851
23D	Scrap Iron	1,000 metric tons		-	4,910	3,910				44	1,721	1,545	95	2,522	2,118
24	Trucks	Units	3,656	12,500	21,000	33,500		30,000		7	11,009	11,016	4	12,000	12,004
25	Freight Cars	Units	13,340	30,000	1,800	31,800		28,500			-		-	-	-
29	Copper	1,000 metric tons	13.1	46	20	66					15				
30	Tin	metric tons		4,000	-	4,000							300	-	300
31	Lead	1,000 metric tons	16.4	37	40	77		40							
32	Zinc	1,000 metric tons	17.4	32	25	57		45							
33	Aluminum	1,000 metric tons	21.0	36	24	60		65			-			-	
34	Wool	1,000 metric tons		49	8	57									
35	Wool Yarn	metric tons		-	50,000	49,000					17,000	17,000	-	28,000	28,000
36	Woolens and Worsteds	metric tons		1,200	33,000	34,200	5,300	59,400	64,700	-	11,400	11,400	-	19,000	19,000
37	Cotton Yarn	metric tons		-	130,000	130,000				-	40,000	40,000	-	75,000	75,000
38	Cotton Cloth	metric tons		2,000	69,000	32,217	-	195,000	136,100	-	26,300	26,000	-	50,000	42,000
39	Wood Pulp	1,000 metric tons		62	450	512				41	154	195			
40	Newsprint	1,000 metric tons		32	100	132				5	73	78			
41	Rubber	1,000 metric tons		47	5	52				-	16	16	-	8	8
43	Fish	1,000 metric tons		184	170	354	213	370		100	150		189	170	

Source: ERP materials for Appropriation Committee; Official Statistics of Foreign Governments; OSRC Vol. II.; Tariff Commission Reports.

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STATEMENTS OF HON. OSCAR L. CHAPMAN, UNDER SECRETARY OF THE INTERIOR; MAX W. BALL, CHIEF, DIVISION OF OIL AND GAS; JAMES BOYD, DIRECTOR, BUREAU OF MINES, DEPARTMENT OF THE INTERIOR; LOUIS LISTER, INTERNATIONAL RESOURCES DIVISION; WALTER LEVY, CONSULTANT, DEPARTMENT OF STATE; LT. COL. CHARLES H. BLUMENFELD, UNITED STATES ARMY; AND C. MEADE STULL, CHIEF, FUELS BRANCH, OFFICE OF INTERNAL TRADE, DEPARTMENT OF COMMERCE

Mr. CHAPMAN. Secretary Krug asked me to come up this afternoon and extend his apologies for not being here himself, but he will be here at any time you feel it is necessary for him to come. He felt this afternoon that Max Ball, head of the Division of Oil and Gas, was familiar with the details of these figures and also Jim Boyd, Director of the Bureau of Mines, could answer the details as much as possible on any figures with respect to the matter. I myself am not familiar in detail with them, and I am going to ask these two gentlemen to be the witnesses to testify on the requirements.

The CHAIRMAN. Tell us what you can about the oil picture. We started to go through the requirements first and then talk about where we could get it, and if that is a satisfactory way to proceed, from your standpoint, it would be all right—or do you have a general statement you would like to make to us?

GENERAL STATEMENT

Mr. BALL. I would like to make a general statement. Despite what Mr. Chapman has said, I am not the man who can give you the details, as I will explain as I go along, and I would like to make a brief general statement which will give you the background on which to base your general questions.

Mr. WIGGLESWORTH. Is there anyone here who can give the details?

Mr. BALL. Yes. The primary concern of the Interior Department and its primary function in this, of course, is to keep a watchful eye on the impact on the domestic economy of proposed supplies of petroleum products furnished under the European recovery program.

NEED FOR PETROLEUM PRODUCTS BY PARTICIPATING COUNTRIES

Obviously, petroleum products are essential to the functioning of any modern economy, our own as well as those of the 16 countries concerned. The European economies cannot function much less recover and get on a normal functioning basis without petroleum products. They need petroleum products for food production. Although the European agricultural industry is not motorized to the same extent it is in the United States, they nevertheless are dependent to a considerable extent on motorized equipment. Food has to be transported, and there were times this spring and late in the winter when food did not get to Paris because of shortages of gasoline, and also there have been similar situations, both real and threatened, in the United King-

dom. Transport, of course, is almost wholly dependent on petroleum products, and, of course, industry cannot function without fuel, and in some cases fuel oil is the only fuel available.

NEED TO KEEP DRAIN OF PETROLEUM SUPPLIES FROM UNITED STATES TO IRREDUCIBLE MINIMUM

As against that, it is essential that the drain on the United States be kept to the irreducible minimum. I do not have to tell you gentlemen what we went through here last winter with respect to fuel oil. Those shortages of last winter would have been serious if it had not been, among other things, that exports were very definitely curtailed and reduced. We are not looking forward to as dismal a situation, we hope, as we faced last winter. But unless every factor works out on schedule, we will have some shortages of gasoline in the United States—local shortages; I trust nothing worse—this summer and possibly some shortages in fuel oil as we had last winter.

With those things in the background, you can see it has been of concern to the Interior Department to see that the requirements of the European recovery prgram on the United States for petroleum products were kept at the lowest possible level. When it came to estimating what those requirements from the United States would be, although we were asked to do it, we did not have the staff to do it. Therefore, the detail work was done in the State Department by Mr. Walter Levy, who is here with me, and he can answer your questions with respect to this screening of the requirements for these 16 countries as to petroleum products.

REDUCTION OF REQUIREMENTS ESTIMATED BY PARTICIPATING COUNTRIES

I can give you just a few over-all figures that will give you an idea of how that was done. The Paris report, which, you remember, was the original report that came up when this was all started and was prepared by the participating countries themselves, called for a total supply to the participating countries of 1,190,000 barrels per day for the calendar year 1948. That was subjected to a very rigid screening by the State Department, particularly by Mr. Levy in which he accumulated, as he must, the additional information from many sources, including the countries themselves, the petroleum industry, our own diplomatic representatives abroad, and other sources.

As a result, he reduced those requirements to 968,000 barrels a day for the fiscal year 1949, which is more of a reduction than appears when you consider it is balanced against the calendar year 1948; because, naturally, as European economies recover, they require somewhat increased amounts. That means that there was a reduction from the original estimate of the requirements of over 18.7 percent.

SOURCES OF PETROLEUM PRODUCTS

The State Department then undertook a study to see how much of that could be made available from sources outside of the United States. That study was made by Mr. David Longanecker, who is here with me. He, after an exhaustive study, came to the conclusion that the requirements for the participating countries would be 515,500 barrels

per day from nondollar sources; that 38,000 barrels per day would be available from indigenous production in the participating countries, leaving 434,000 barrels per day to be supplied from dollar sources.

Those three figures added together make up 987,500, which is above the 968,000 figure I just gave you by 2 percent, to allow for refinery losses and for minor reexports and that sort of thing. That is the grand total for the fiscal year 1949 of the requirements for these countries from all sources, of which 434,000 is from dollar sources.

Starting with that 434,000 from dollar sources, Mr. Longanecker then made a detailed study to see how much of this would have to come from the United States, there being other dollar sources than the United States, and finally arrived at a figure of 95,600 barrels per day to come from the United States, which is 9.7 percent of the total requirements.

COMPARISON OF EXPORTS UNDER PROGRAM WITH 1938 EXPORTS

Mr. WIGGLESWORTH. What percent of our production?

Mr. BALL. That is about 1.5 percent of our American supply or domestic supply which, by the way, is the lowest percentage of our domestic supply that we have exported for many years. Back in 1938, for instance, we were exporting to the ERP countries 5.7 percent of our total supply.

Mr. KEEFE. When you say "total supply," do you mean produced in the continental United States or that produced in the Caribbean area?

Mr. BALL. No, the continental United States plus imports.

Mr. KEEFE. The continental United States plus imports?

Mr. BALL. Yes.

Mr. KEEFE. To the United States?

Mr. BALL. Plus imports to the United States.

Mr. CASE. Now, you are speaking in terms of percentage of our production, but also production has gone up in that period. What is the absolute quantity?

Mr. BALL. That calls for exports from the United States——

Mr. CASE. That is 95,600 barrels, but when we were exporting 5.7 percent, how many barrels did we export?

Mr. BALL. We exported to the ERP countries in 1938, 76,000,000 barrels during that year.

Mr. KEEFE. That makes quite a different picture—76 as against the 95 here.

Mr. BALL. No, that is 76,000,000 as compared to the 35,000,000 barrels. In other words, for the total year 1938 we exported to the ERP countries 76,000,000. The ECA program calls for exporting only 35,000,000 for the fiscal year 1949.

Mr. WIGGLESWORTH. What did we export in the calendar year 1947?

Mr. BALL. Fifty-five million. The ECA program, in other words, calls for exporting about 1.5 percent of our United States supply in the fiscal year 1949. In 1947, we exported 150,000 barrels per day, so that the ECA program for 1949 calls for a reduction of 55,000 barrels per day compared to 1947, which is a reduction of 36 percent.

Mr. CASE. Does that take into consideration the demand for our own people in the occupied territory of Germany and Austria?

Mr. BALL. Yes. That includes the western zone of Germany, excluding requirements of our occupation forces. I may say in comparing these figures with 1947 that our exports have already been scaled down very materially below the 1947 level. As a matter of fact, they have been scaled down now so that for the first quarter of 1948 they were running at about the level proposed for 1949 under the ECA program. So that the ECA program is not adding to the rate at which we are already exporting.

Mr. CASE. Does it make any inroads upon the quantity we would normally get from such areas as the Caribbean?

Mr. BALL. No, that contemplates that our own imports will continue to increase. As this program goes along on the longer range, it will mean an increase in production in the Middle East and a lessening of the drain on the Caribbean and make more available for import into the United States from the Caribbean area.

Mr. KERR. When you speak of barrels, do you mean refined petroleum products?

Mr. BALL. This is crude oil and refined products. It is all petroleum.

FINAL DETERMINATION BY SECRETARY OF COMMERCE AS TO AMOUNT OF PETROLEUM PRODUCTS TO BE EXPORTED

I have said the exports have already been scaled down to about the proposed ECA figure, and that points to one thing that seems to me very important in figuring what the effect of this will be on the domestic economy. It is that the European Recovery Act, Public Law 472, leaves with the Secretary of Commerce and not with the ECA Administrator, the final determination as to what amounts will be exported, so that exports will continue to be subject to the same scrutiny that they now receive.

Mr. STEFAN. Does that mean that the Export License Control Division of Commerce will handle this item?

Mr. BALL. They will still have the last say.

Mr. STEFAN. And have you taken into consideration the statement made by the Export Control Division of the Department of Commerce when they told this committee:

> The unprecedented demand for petroleum products has resulted in serious shortages of these products, particularly in certain areas of the United States. This unprecedented demand for petroleum means a greater need for additional wells, more recycling plants, pipe lines, pump stations, refineries, storage facilities, tankers, barges, tank cars, and tank trucks. If these items could be supplied in sufficient quantity, it would permit the petroleum industry to produce more oil and transport it more efficiently and effectively. The petroleum industry has not been able to obtain all the materials needed to relieve the shortage which now exists and which may grow more serious in the coming months.

How do you justify that statement with the statement that you are going to get more from the Caribbean?

INCREASE IN IMPORTS OF PETROLEUM PRODUCTS

Mr. BALL. I subscribe to every statement made there. We anticipate a material increase in the domestic production and distribution if the petroleum industry can get the steel to do it. I think we are going to see a material increase in crude production this summer, from the point of view of the wells that are already under way and in

prospect. But that still means we need to continue to increase imports. As a matter of fact, today we are importing materially more than we are exporting. We have curtailed exports severely and have continued to increase imports, and I think that increase in imports is bound to go on. There is no conflict between the two things.

Mr. WIGGLESWORTH. What is the rate of import today?

COMPARISON OF EXPORTS AND IMPORTS OF PETROLEUM SUPPLIES DURING 1948

The CHAIRMAN. Do you have an up-to-date table on that which you could give us; do you have a sheet like that?

Mr. BALL. Yes; I can give you this sheet which shows the supply and exports to participating countries since the year 1938.

(The table referred to is as follows:)

Production, imports, exports, and available supply of petroleum products, United States, 1938–48 [1]

[In millions of barrels]

Year	Production			Imports of crude oil and refined products	Exports of crude oil and refined products		Supply [3]	Exports to ERP countries as percent of supply
	Crude oil	Natural gasoline and benzol	Total		Total	To ERP countries [2]		
1938	1,214	53	1,267	54	194	76	1,321	5.7
1939	1,265	54	1,319	59	189	73	1,378	5.3
1940	1,353	59	1,412	84	130	26	1,496	1.7
1941	1,402	84	1,486	97	109	27	1,583	1.7
1942	1,387	86	1,473	36	117	45	1,509	3.0
1943	1,506	90	1,596	63	150	66	1,659	3.9
1944	1,678	102	1,780	[4] 92	[4] 208	129	1,872	6.9
1945	1,714	115	1,829	[4] 114	[4] 183	107	1,943	5.5
1946 [5]	1,733	117	1,850	135	151	61	1,985	3.1
1947 [6]	1,850	130	1,980	157	163	55	2,137	2.6
1948 [6]	1,994	149	2,143	175	149	35	2,318	1.5

[1] Source: U. S. Bureau of Mines.
[2] Assumed that ½ of German consumption was in western Germany. Asphalt, coke, and some minor products not included.
[3] Production plus imports.
[4] Import and export statistics for refined products from the Department of Commerce for crude oil from the Bureau of Mines—U. S. Bureau of Mines figures differ slightly from U. S. Department of Commerce figures.
[5] Subject to revision.
[6] Estimate of the U. S. Bureau of Mines.

Mr. BALL. In 1948, the estimated imports are 175,000,000 barrels.

The CHAIRMAN. And you estimate the exports are what?

Mr. BALL. The exports are 35,000,000.

The CHAIRMAN. Is this the calendar year 1948?

Mr. BALL. This is the calendar year 1948, yes.

The CHAIRMAN. And the estimated imports are what?

Mr. BALL. 167,000,000.

The CHAIRMAN. And the exports?

Mr. BALL. The total exports are 149,000,000, and the exports to the ERP countries are 35,000,000. These are anticipated imports and exports for the year.

The CHAIRMAN. Do the exports include a considerable volume of lubricating oil, or is not that a material factor?

Mr. BALL. Something a little better than one-third are the lubricating oil and other specialties, such as wax.

The CHAIRMAN. They are not in short supply, or are they?

Mr. BALL. We may be running into some difficulty on wax, but lubricating oil is not in short supply, and that is something we must continue to export. The United States is the supplier of lubricants for the world. If the United States should stop exporting lubricants, the machinery of a large part of the non-Russian world would slow and stop.

The CHAIRMAN. Do the Russians produce lubricating oil?

Mr. BALL. They must have, because we are not exporting any significant amount to them.

The CHAIRMAN. Does not anyone else make lubricating oils?

Mr. BALL. There are other lubricating plants in the world, but they are not extensive; they are minor compared to our own lubricating operations.

The CHAIRMAN. Is it because their petroleum is not of the right kind, or for some other reason?

Mr. BALL. It is for both reasons, Mr. Chairman. Certain of the crude petroleum of the United States make good lubricants with less processing than those of other countries, so that it is more difficult to make good lubricants from Middle East crude or Caribbean crude than it is from Pennsylvania crude or Mid-Continent crude.

The other thing is that the United States has developed a highly specialized technique in the manufacture of lubricants and has established plants to do it. It has been a very important part of our balance of trade for years, as you know. And it is one that is highly advantageous to us from the standpoint of the national defense, because it is very important that we maintain it, because then we are in a position to lubricate ourselves, while the rest of the world is not.

The CHAIRMAN. How much of the 149,000,000 of exports was lubricating oils, about one-third if it?

Mr. BALL. I was thinking of exports of 35,000,000 to the participating countries.

Mr. WIGGLESWORTH. What you are saying in effect is that all of this oil that we make available under ECA is made available out of our imports?

Mr. BALL. No; we import a great deal more than we produce, but we do not export the same products in general that we import. We import crude oil and heavy fuel oils. We export principally aviation gasoline and, by the way, I am excluding Canada now. Except for Canada, we export aviation gasoline, lubricants, waxes, asphalts, some motor gasoline, and a small amount of special crude which is required for certain plants in the United Kingdom and France which cannot very well run on Middle Eastern crude.

Mr. KEEFE. Mr. Chairman, may I ask a question at this point?

The CHAIRMAN. Surely.

EXPORT LICENSES ON ECA SHIPMENTS

Mr. KEEFE. In line with the statement of the witness with respect to, as I understood him to say, the delegation of control to the Secretary of Commerce to impose export controls, that being the protection that is afforded—did you make such a statement as that?

Mr. BALL. That is not a delegation. That is a continuation of the controls which he now has.

Mr. KEEFE. Well, I want to pursue that for just a moment. The organic law, in section 112 reads as follows:

The Administrator shall provide for the procurement in the United States of commodities under this title in such a way as to (1) minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy, and (2) avoid impairing the fulfillment of vital needs of the people of the United States.

When Mr. Bruce of the Commerce Department was before this committee in connection with the hearings on the deficiency request for the Department of Commerce on the 15th of March of this year, I asked him this question, following a series of questions as to how the export control program was to work:

Mr. KEEFE. What is it anticipated you will do under the Marshall program if that finally becomes law?

Mr. BRUCE. We have no idea whatever as to how the control of those exports will be set up. I mean we are not the policy-making body. We could not lay down any regulations as to procurement or anything else, any licensing regulations or quotas, under any European aid program.

Under the present bill, I think it is proposed that the Export Licensing Authority would be transferred from the Department of Commerce to the new administration, and within the new administration, if it was so transferred, I would assume they would lay down certain regulations as to whether if ERP became the claimant for 16 Eropean countries against the rest of the world, the claims made for the 16 nations would be superior to the claims of the rest of the world and as to what would be left over for the ordinary trade after you took the ERP slice out.

Frankly, I do not see how that could possibly work; because I would think the claimant agency for the 16 nations, if the other countries are not included in it, would have a very selfish, overriding motive for getting as much as they could for their particular area. But that is entirely in the air.

Since that statement was made, and on the 3d of April 1948, Congress passed the European Recovery law containing the provision in section 112 which I have just read. Now, where does lie, under this law, the export-control provision?

Mr. BALL. I am not the solicitor of our Department, but as I read this act and as I am advised, this section 112 (a) which you read says that the Administration shall provide for the procurement of these commodities and do it in a certain way so as to minimize the drain on the domestic economy. But it does not take out of his hands the present, existing power.

Mr. KEEFE. Does not take out of whose hands?

Mr. BALL. Out of the hands of the Secretary of Commerce the power which he now has to screen exports, to license exports. So that this act does not terminate that requirement that any export must be licensed.

Mr. KEEFE. Oh, I know that; that may be so. But in my previous examination of Mr. Bruce he clearly stated that so far as the procurement agencies operating for the Government in these various programs were concerned, the screening and the licensing was a mere formality.

Mr. BALL. That was before this act was passed, was it not?

Mr. KEEFE. Just before, yes; the matter was under discussion.

Mr. BALL. I think this is something you should pursue with the Department of Commerce rather than me because they can speak with

more authority on it, but it is my understanding that the Department of Commerce will continue to exercise its present licensing functions on exports of petroleum products.

Mr. KEEFE. Or any other products?

Mr. BALL. Or any other products.

Mr. KEEFE. So that if ECA decided that they wanted to ship so and so to such and such a country, they could not do it without getting an export license from the Department of Commerce?

Mr. BALL. That is correct.

Mr. KEEFE. I should like to find what the law is on that subject, or is it read into the law by interpretation?

Mr. BALL. Then, in the case of dispute under section 105 (c) of the act, they would go to the President.

Mr. KEEFE. I have read that; that is where there is an argument and the President is made the arbiter, under 105 (c).

Mr. BALL. And, if present practice is any evidence, the Department of Commerce is continuing to screen exports right now. The export machinery that Commerce has set up is a series of working groups in which Interior and a number of other departments participate, such as the Export Review Committee, of which Interior is a member, and the Export Advisory Committee, on which Interior also has representation, so that we are at all times sitting in consultation on exports and export licensing and our chief function, as I have said before, is to see that our domestic economy is not impaired by excessive exports.

Mr. KEEFE. Then the determination as to the protection of the domestic economy of this Nation in reference to shipments of specific commodities abroad still rests with the Department of Commerce which, under the law, is vested with export-licensing control?

Mr. BALL. That is my understanding.

Mr. KEEFE. In consultation with the Department of Agriculture as to food products, with Commerce as to manufactured goods, with Interior as to petroleum products, coal, mineral products, and so forth. Is that the way you understand it is going to work?

Mr. BALL. Yes; on both the Export Advisory Committee and the Export Review Committee there are represented Agriculture, Interior, State, Defense, Office of Defense Transportation, the Housing Authority, and I think the Tariff Commission; and I have forgotten who else. I have attended many of those meetings.

Mr. KEEFE. I have just been shown the statement of the Foreign Affairs Committee with respect to this particular point in which it was set forth that the Herter bill contemplated locating the export-control authority in the Administrator, but the committee finally resolved to maintain it as is.

Mr. BALL. That provides you with a double screening: the Administrator, himself, who is charged with the responsibility under section 112 and the Secretary of Commerce who has the final say.

Mr. KEEFE. Then, the way this thing works, as testified to by Mr. Bruce, is this——

Mr. FENTRESS. May I suggest at this point that quite recently, though I do not recall the exact date, Mr. Bruce appeared before the House Interstate and Foreign Commerce Committee on the question of steel for the oil industry and during the questioning, following his state-

ment, he elaborated somewhat his opinion of how the Commerce Department and the ECA Administrator would handle exports under the act as then already passed. I think you might find that most interesting.

Mr. KEEFE. Well, I cannot read all of those hearings or follow all of them; I can assure you of that. I have enough difficulty following the stuff that comes before this committee.

Mr. FENTRESS. He said this, as I recollect, that the ECA Administrator would collect from the 16 nations their requirements and would screen those requirements on the basis of a mass of data and then would present to the Department of Commerce as a claimant agency the requirements for so many bushels of wheat, so many barrels of oil, and so forth. The Department of Commerce, in consultation with other agencies and with now-existing committees, would finally determine what the quotas would be and what the amount would be that would be permitted to be exported.

Mr. KEEFE. This is what he told this committee, and it is what raises the question in my mind——

Mr. FENTRESS. Yes, sir; I appreciate your question.

Mr. KEEFE. I asked him this question:

> You do not have anything to do with any of the material shipped under the interim-aid program?
>
> Mr. BRUCE. No. We record the license for its shipment.
>
> Mr. KEEFE. Are they just licensed as a matter of course?
>
> Mr. BRUCE. They are licensed, as I understand, as a matter of course.
>
> Mr. KEEFE. Then you have no discretionary function to perform so far as materials that are purchased in this country with dollar credits that have been made available under the so-called interim-aid program are concerned?
>
> Mr. BRUCE. It depends upon whether they are purchased by private exporters in this country. On Government procurement programs, for commodities the Department of Agriculture procures in this country, we license those commodities at the time as they are presented to us.
>
> Mr. KEEFE. As a matter of course?
>
> Mr. BRUCE. We do check to see that they fit in with the program as laid down by the Congress. Our difficulty comes in a sort of collateral field. For instance, very recently there have been an enormous number of license applications for shipments of pearl barley, macaroni, and spaghetti to Italy. That is held to be a Government procurement program or is held to be, so far as we know, bought with interim-aid money.
>
> Mr. KEEFE. Well, as to this direct exporting function where some exporter who, with his own money, buys that material in this country and proposes to send it to some purchaser in Italy, who has the money to pay for it—as to such a proposal, you have the direct responsibility?
>
> Mr. BRUCE. We have. We can either license or refuse to license.
>
> Mr. KEEFE. But if the Government, on the other hand, in its procurement program, were to purchase pearl barley, spaghetti, macaroni, or anything else, for shipment to Italy as part of the relief program, you would record those purchases?
>
> Mr. BRUCE. And license them.
>
> Mr. KEEFE. And license them as a matter of course?
>
> Mr. BRUCE. Yes, sir.

Then I asked him the question, "What is it anticipated you will do under the Marshall plan if that finally becomes law?" and he said he did not know.

Now, as I understand it, or am I to believe that now that it is proposed to implement and make effective the operation of this European recovery program, the determination as to the possible impact upon our economy is to be made by the Department of Commerce in its field, the Department of Agriculture in its field, the Department of the

Interior in its field, and if the Administrator of ECA decided that he wanted to do so and so, Commerce could checkmate him by refusing a license; is that right?

Mr. BALL. And his only appeal would be to the President.

Mr. KEEFE. That is correct? His only appeal would be to the President?

Mr. BALL. That is correct.

Mr. KEEFE. Necessarily, then, this must be a very fluid program and subject to interminable change; and it may change from day to day.

Mr. BALL. I think any program, the only one I know anything about is petroleum and petroleum products, is bound to be. We cannot even estimate the needs of the United States or the demand for gasoline in the United States for the next 6 months simply because the weather plays so big a part in it, among other things.

Mr. KEEFE. Then, so that there can be no misapprehension about this or any chance of misinterpretation later on—I like to pin these things down definitely and positively—so far as this European recovery program is concerned, the ultimate determination as to whether or not a shipment of commodities abroad, that is requested under this program by the Administration and constitutes an unreasonable demand upon the domestic economy of the United States, is checkmated in the first instance by the requirement of an export license for all materials shipped under this program?

Mr. BALL. Right.

Mr. KEEFE. To be issued by the export licensing committee or board of the Department of Commerce?

Mr. BALL. Right.

Mr. KEEFE. And if the Administrator of ECA gets into an argument at any time with the Department of Commerce, as a final resort he may go to the President who may overrule Commerce under this law?

Mr. BALL. That is correct, as I understand it.

Mr. KEEFE. So that the Administrator himself cannot make the final determination that England is going to get so many tons of petroleum products or coal or anything else; he has got to submit every proposal for shipment of food or any other product abroad to the Department of Commerce and receive an export license for it?

Mr. BALL. That is my understanding, sir.

Mr. KEEFE. Is that the way you understand the situation?

Mr. BALL. That is my understanding.

Mr. KEEFE. So that puts the final responsibility, subject to being overruled by an appeal to the President, in this board in the Department of Commerce?

Mr. BALL. It puts it on the Secretary of Commerce.

Mr. KEEFE. Well, I know; but he does not have the time to look into all of these things. It puts it on this board that is running the show down there, this export licensing board to make the determination, isn't that true?

Mr. BALL. It is not an export licensing board: it is the Office of International Trade which makes proposals of quotas to the export review committee on which all of the departments that I have mentioned are represented. If that committee is not unanimous, it goes to the export advisory committee, which is at sub-Cabinet level,

and then the recommendation of that committee goes to the Secretary of Commerce who makes the final decision.

Mr. KEEFE. I would like to ask this question and if you cannot answer it, I should like to ask it of anybody else here who can, because I should like to pin all these things together in one spot in the record, if I can.

QUESTION AS TO EXPORT CONTROL OVER PETROLEUM PRODUCTS FOR OCCUPIED AREAS

What about relief to the occupied areas of Germany and Austria, for which there was appropriated $822,000,000? That is included within this program. The Army does its purchasing for that, utilizing the services of the Commodity Credit Corporation and the Quartermaster Department. They go out and buy. Mr. Bruce's testimony here is very definitely that—I will read it from the record:

Mr. KEEFE. Now, as to all shipments into the occupied areas which are controlled by the Army, you have no control over those, other than a mere recording?

Mr. BRUCE. We have not. We are kept advised by the Army as to what they are sending into the occupied areas which is not for Army use. They would tell us, for example, they are sending a certain amount of petroleum or petroleum products for the use of Germany, Korea, or Japan; but, as far as their own petroleum shipments are concerned that are destined for Army use, we know what they are getting, but they are not subject to any control.

Now, am I to understand, in interpreting this law, that this procurement program by the Army in the occupied areas is going to be integrated into this over-all European recovery program?

Is there anybody who can give me an answer to that? I do not know whether you are able to answer that, Mr. Ball.

Mr. BALL. You are over my depth on that.

Mr. KEEFE. I am over my own depth on it, too.

Colonel BLUMENFELD. I know this, that under the program as it is now set up, as to the items that go into the occupied areas that are in the recovery program, they are subject to the same rules, as I understand it, as all other items are, that are under control.

I was surprised to hear you say that our present exports are not under control. I am not an authority on that, but it was my understanding that all of our allocations are subject to the same export control as other agencies' shipments from this country. I may be wrong on that. But I know that certainly from the standpoint of the recovery program we are subject to the same rules, of having to go to the Administrator and getting funds for bizonal Germany and getting an export license for certain of the industrial items that are being exported; and in the Department of the Army, we regard bizonal Germany as subject to the same rules for export and allocation from ECA as any one of the 16 participating countries.

Mr. KEEFE. You say you are surprised. You ought to be in a position to know something about it, more than I would be. I am merely reading from the testimony of Mr. Bruce that he gave before this committee. I have read it into the record and that is the source of my information. If he does not know anything about it, I do not know who would. Let me quote further from his testimony following the last quotation where he said:

* * * but they are not subject to any control.

Then he goes on and says:

If we should care to exercise authority, I assume we could curtail or stop shipments made by the Army for civilian use; but as a practical matter, I think it would be impossible, because we have not the information in the Department of Commerce or in the Interdepartmental Committee on which we could have found a really sound scrutiny of what the Army was asking for.

Mr. KEEFE. That leads me to this question. If that is true, and if basically the whole purpose of this export control program is anti-inflationary in character for the purpose of trying to protect our own economy against a depletion of goods and materials and services in short supply, it would seem there would have to be a complete correlation of all of those activities, if we are to arrive at the point this law seeks to reach. Is not that true?

Mr. BRUCE. In theory, I agree with you.

Mr. KEEFE. Then the other phase of it, as I understand, is to try to see that goods do not reach certain foreign countries that are not included in the list of our beneficiaries.

There is Mr. Bruce's statement.

Colonel BLUMENFELD. Certainly. I do think a point that needs clarification from the standpoint of POL; that is, the occupation forces, what they use in Germany I am quite sure is handled as part of the Quartermaster procurement under POL and probably is not subject to export control. But as to POL for the civilian economy of Germany, and food for the civilian economy of Germany, which is covered by our GARIO appropriation, I am quite sure that that is subject to control, whether or not Mr. Bruce so testified. However, I would certainly be glad to undertake to find out and insert a statement in the record by tomorrow morning clarifying that point, because I am quite sure that all of the items now tentatively programed for bizonal Germany are subject to ECA controls just as they are for every other country.

Mr. CASE. Even though procured by the Quartermaster Department?

Colonel BLUMENFELD. Even if the Quartermaster Department is the agency, it would still be the same, if it was for civilian relief as distinct from United States Army items for the troops in Germany.

Mr. KEEFE. I should like to pin this down definitely, and learn whether or not this whole program is under such control, or whether we have got one segment of it, namely, that procurement under the $822,000,000 appropriation, which is to be made by the Army and for the Army—I should like to know whether that is outside the controls contemplated for the balance of this ECA program.

Mr. CAWLEY. Mr. Keefe, Mr. Bruce will appear here in company with the Secretary of Commerce in the next few days. I have been away from the Department of Commerce for the last week or so and am not familiar with their new operations down there under this plan. But I am sure Mr. Bruce can bring up to date his previous statement.

Mr. KEEFE. You would think, in view of the statements made in March, just a short time ago, and before this very committee, that this would be a proper subject of inquiry, if we are going to integrate this program and understand it?

Mr. CAWLEY. Yes, sir.

Mr. KEEFE. Mr. Chairman, I shall also want to go into the whole question, at the proper time, of procurement and conflicts in the matter of procurement under this program. It is not proper to go into that subject at this time with this witness, but I should like to serve notice that I do intend to go into that subject of procurement and the conflicts that have hereofore existed and which have resulted in com-

petition within our own country which has forced prices to skyrocket, as a result of those conflicts in procurement policies of these various agencies.

QUESTION AS TO ESTIMATED SUPPLY OF PETROLEUM FROM MIDDLE EAST

Mr. CASE. In the justification submitted to us in this petroleum picture, at page F–46, there appears this paragraph:

> While in 1946 the Western Hemisphere supplied 77 percent of Europe's petroleum imports and the Middle East 23 percent, it is estimated that in 1948–49 this figure will decline to 61 and in 1951 less than 20 percent. Should petroleum supplies from the Middle East not be forthcoming in the amounts anticipated, the entire petroleum situation would of course have to be reexamined.

In the figures that you have been giving us on the percentage of demands, Mr. Ball, are you anticipating any modification of the petroleum supply expected from the Middle East?

Mr. BALL. These figures I have been giving you are just through the fiscal year 1949. Barring an unforeseen emergency, it is not likely that there will be any material change in supplies available from the Middle East.

Mr. CASE. Are you familiar with the prognostications on which this indicated reduction in 1949 and 1951 is made?

Mr. BALL. Mr. Levy is the man who did the work on those. Some of those figures I think came from the Krug report. I am familiar with the general basis for it. It is anticipated, of course, that production will be increased materially in the Middle East, participlarly as we get additional transportation available.

Mr. CASE. Transportation and steel?

Mr. BALL. Transportation takes steel and that is the bottleneck.

Mr. CASE. You mean transportation such as pipe lines?

Mr. BALL. Pipe lines and tankers. That is the headache that confronts the whole oil situation today. There is not a thing in either the domestic situation or the world-wide oil situation that time and steel in moderate quantities will not cure.

Mr. CASE. Except the possible political implications in the Middle East?

Mr. BALL. Yes; but I am even taking account of that. Give us some time and some steel and we will get almost back to where we do not need to depend on the Eastern Hemisphere. The Western Hemisphere will be not only self-sufficient, but in case of necessity will be able to provide some supplies for the Eastern Hemisphere.

Mr. Chairman, may I just summarize what I have said by this one further remark?

The CHAIRMAN. Yes.

DISCUSSION OF EFFECT OF PROGRAM UPON DOMESTIC SUPPLY OF PETROLEUM

Mr. BALL. This is something that I am not sure that I said to your committee; I have said it to some other committees last fall, and it has worked out that way. That is, as far as petroleum is concerned and particularly as far as the drain on the United States to supply petroleum. the Marshall plan and ECA make virtually no difference. We are not going to be called on to export more than we otherwise would export because of ECA or the Marshall plan.

Mr. KERR. Suppose you should disagree with the exports requested under the ECA program; then the President may overrule you. In other words, in the last analysis, he has the power to determine such a question?

Mr. BALL. Yes. But as the program is envisioned, there will be no occasion to call for increased exports from the United States.

Mr. KERR. But if some question should arise in the Department of Commerce in connection with materials being sent abroad, and the question is whether it should be sent or not sent, then the President has the authority under the law to overrule whatever decision you may make. He makes the final determination?

Mr. BALL. That is correct.

Mr. KEEFE. Is not this question as to whether or not the domestic economy is affected by the export of petroleum or any other product one that is purely relative and must be viewed in connection with the necessities and the reasonable demands of the domestic economy of the United States?

Mr. BALL. From month to month almost.

Mr. KEEFE. From month to month and maybe from week to week, as it was in my county during this last winter season, when we had a very precarious time in the matter of getting fuel oil and it created such an impact on our whole economy that it closed down, for example, an oil-burning industry in my own town, one which had to go out of production completely as a result of that situation.

Now, these figures that you gave which say that only a certain percentage of the petroleum produced is contemplated to be exported under the European recovery program, and is not in excess greatly perhaps of our normal export under any circumstances——

Mr. BALL. Materially less than.

Mr. KEEFE. Materially less than; even so, the demands of the domestic economy are constantly fluid and require a continuing appraisal of the situation, because the question is a relative one; is not that that true?

Mr. BALL. That is true.

Mr. KEEFE. What I am interested in is this: I have listened to these percentages and have tried to obtain reasonably accurate information. As I understand it, those percentages that you have given us apply to the available normal sources of petroleum; that is, available to the domestic use of the United States.

Mr. BALL. The domestic supply.

Mr. KEEFE. Whether produced domestically on the continent, or produced offshore, in those areas that have normally produced and shipped into the United States; they cover that, do they not?

Mr. BALL. Yes.

SHIPMENTS OF PETROLEUM TO EUROPE FROM CARIBBEAN AREA

Mr. KEEFE. Now, this question has been asked upon the floor of Congress; in making up those figures, on the very statement that you have given us here this afternoon, direct shipments were made to European countries from Venezuela and other countries in the Caribbean area which took away from the normal available supply of petroleum products that otherwise would come to the United States, just that much, through that direct shipment from those countries to European

countries; and the contention was made that such amounts were not included in your statistics? Is that so?

Mr. BALL. They are not. But that needs a little amplification, Mr. Congressman. Europe is largely supplied today from the Caribbean area, and for many years, historically, has been. In other words, most of what Europe has had historically that did not come from the United States came from the Caribbean area. Those shipments are continuing to Europe from the Caribbean area. But we are getting more from the Caribbean area than we ever got, and those shipments are continuing to increase.

These figures on total supply, including what we may reasonably expect to continue to get from the Caribbean area, will not change very materially over the next 18 months. But thereafter, and that goes beyond the figures I have given you and the percentages I have given you, as the Middle East is built up and the European economies are built up and their refining capacities are built up, they will get more and more of their supplies from the Middle East; and an increasing amount will be available to us from the Caribbean, partly due to increased Caribbean production, but even more largely through the release of that demand from Europe, making it available to us. In the long run this program will benefit us very materially in the way of increased crude supply.

Mr. KEEFE. You have not said very much about the Near East production, in Saudi Arabia and those countries over there.

Mr. BALL. Well, I could talk on that for a long time.

Mr. KEEFE. I am sure you could. But I assume that that whole situation over there has been fully explored and was within contemplation in the make-up of these figures that you have given to us?

Mr. BALL. Yes, looking beyond these figures and looking farther down the road in this program, it is expected that more and more of the United States supply will come from the Middle East, because the oil is there and it can be made available by the drilling of very few wells and by the building of some pipe lines and also the provision of some additional tankers.

Mr. KEEFE. Provided we settle the Palestine situation satisfactorily?

Mr. BALL. Provided the world stays peaceful. If it does not, then all these calculations go out the window.

Mr. KEEFE. Yes, then everything is haywire.

INCREASE IN PRICES OF PETROLEUM PRODUCTS SINCE ESTIMATES WERE COMPILED

Mr. CASE. Have any price changes taken place since these estimates were prepared that would materially affect the figures submitted here?

Mr. BALL. Yes, this estimate was based on prices as of July 1 and there has been an increase in domestic prices of about 30 percent.

Mr. CASE. That is, an increase of 30 percent in——

Mr. BALL. In petroleum products.

Mr. CASE. Is that due to the quantities required for operating the economy at a certain level?

Mr. BALL. All that I have said to you is in terms of barrels per day, or in total barrels, not in dollars. It effects the dollar total, but it does not affect the barrel total.

Mr. CASE. You are just talking about the commodity?

Mr. BALL. I have been talking about the commodity petroleum. That is our concern in Interior, to see that there is enough oil in the United States for United States needs.

Mr. CASE. Has there been any modification of your figures in the light of that 30-percent increase?

Mr. BALL. I believe the State Department people will have to answer that.

Mr. NITZE. You will find in the chart on D–5 an item for price adjustment, the last item.

The CHAIRMAN. That is in addition to your estimate involving the increase in prices of every commodity?

Mr. NITZE. That is correct. The preceding figures, in all of the items up above item 50, are on the basis of July 1, 1947, prices.

Mr. CASE. How recent is that price adjustment?

Mr. NITZE. The price adjustment is figured at 7.5 percent increase on exports from the United States, and a 5-percent increase on exports from other Western Hemisphere countries than the United States. Of course, it is impossible to estimate what the flow of prices is going to be during the next 12-month period.

Mr. CASE. That is true, but a 7.5-percent increase does not make allowance for a 30-percent increase in petroleum.

Mr. NITZE. Well, some commodities have gone down and some have gone up. An estimate was made as to what the actual price increase has been since July 1, and as of March 1.

Mr. CASE. Is this a guess or has that been worked out?

Mr. NITZE. As of March 1 it came very close to this figure.

Mr. CASE. To 7.5 percent.

Mr. NITZE. As I remember, it was 7.6 percent increase as of March 1 for exports from the United States. It was slightly less than 5 percent increase for exports from other countries of the Western Hemisphere.

Mr. CASE. Of course, I do not know what the proportion of petroleum products is to the whole program, but if there is a 30-percent increase in petroleum, it is difficult for me to understand how the average increase would come down to 7.5 percent.

Mr. BALL. Of course, petroleum exports are only a very small part of the total.

Mr. CASE. As I say, I have not tried to figure out what the proportion is.

Mr. NITZE. For instance, you will find on the chart, the third table after page F–13 a comparison of prices as of July 1. What I want to point out is that food items have risen 7.8 percent from the United States and 3 percent from other Western Hemisphere countries. We can supply you similar figures with respect to all the commodities. I have here figures for all the items which I can submit for the record.

Mr. CASE. Which ones of those were you counting on to give you the decrease in order to offset increases that were greater than 7.5 percent?

Mr. NITZE. Tobacco, I think.

Mr. CASE. That shows an increase, does it not?

Mr. NITZE. There was a very slight increase, yes. Of course, the petroleum figure, as I remember it, is something like $500,000,000 out of a total of $13,000,000,000.

Mr. WIGGLESWORTH. $379,000,000.

Mr. NITZE. But when you have a great many figures, the average comes to about that.

Mr. CASE. The increase on tobacco is less than 7.5 percent, but it is not an actual decrease.

Mr. NITZE. Tobacco prices decreased and cotton increased. The gross total of the two increased less than 7.5 percent.

The CHAIRMAN. We are getting this to some extent by piecemeal.

EXPORT OF PETROLEUM PRODUCTS TO AUSTRIA

I am turning now to page 2 of this break-down where you have indicated approximately 27,600 metric tons of petroleum products to come from the United States for Austria. That is item No. 21 all the way through. I am wondering, with their domestic production and all of that sort of thing, why we need to have to make the contribution here indicated. It looks like they are pretty well able to take care of their own.

Mr. BALL. Mr. Chairman, I would like to have Mr. Levy answer your question; he has worked up the details.

Mr. LEVY. There are two reasons for this estimate.

First, the oil production of Austria is unfortunately in the zone occupied by Russia, and Russia has for the last year or two only made very limited supplies available to the Austrian domestic economy. Those supplies have been decreasing, and Austria has been left with a growing deficit. The oil supplies presently available to Austria are much below her minimum needs.

Mr. CASE. How can you reconcile that kind of statement with the explanation of this table which says that the prewar domestic production was 101,000 metric tons, and that the domestic production in 1946 was up to 385,000; 385,000 in 1947, and in 1948–49 it is estimated that 909,000.

Mr. LEVY. Those particular figures as they appear in this report are not correct, and one of the reasons for that is that the Austrians submitted their estimate——

Mr. KEEFE. You mean the figures that Mr. Case quoted are not correct?

Mr. LEVY. They are correct; his quotation is correct, but the figures as they appear in the report from which Mr. Case is reading are not correct?

The CHAIRMAN. Why not?

Mr. LEVY. That is what I started to explain: The first reason is that the Austrian Government submitted a statement in which they estimated their consumption at over 900,000 tons; they gave their production at 900,000; their production at present amounts to about 900,000 tons, and in 1946 and 1947 it was about 700,000 to 800,000 tons.

Mr. CASE. And the figures you are giving are——

Mr. LEVY. The figures for domestic production in 1946 and 1947 should be 750,000 to 800,000 tons.

Mr. CASE. Then the table we have is not right?

Mr. LEVY. It is not right.

Mr. CASE. It indicates they had an available supply in 1946 of 927,000, based upon imports of 542,000 and domestic production of 385,000?

Mr. LEVY. Yes.

Mr. CASE. The table shows their available supply in 1947 was 986,000, with imports of 601,000 and domestic production of 385,000.

Mr. LEVY. Yes.

Mr. CASE. And you mean none of that is correct?

Mr. LEVY. The basic statement on Austria as submitted by the CEEC included some errors.

The CHAIRMAN. So they are not correct?

Mr. LEVY. Exactly.

The CHAIRMAN. Did you get up this statement?

Mr. LEVY. I did not prepare the statement, but I can give you the corrections.

Mr. CASE. Just what is the production for 1948–49; about 900,000?

Mr. LEVY. That is correct, but it was about 800,000 in 1947.

Mr. CASE. But that was an increase of 200,000 tons from 1946–48.

Mr. LEVY. That is correct; the Russians have been running the field to maximum capacity all for their own use.

Mr. CASE. Do you know who prepared this table, this statement?

Mr. NITZE. As Mr. Lovett testified yesterday, these tables were prepared in response to the chairman's request, and had to be prepared very rapidly, and the brown book figures we would rather stand on than these.

The CHAIRMAN. Of course, the brown book does not give the information that would be needed to make any approach to this thing, and that is why I asked for these figures, and if they are not correct then we cannot place any reliance upon them. We certainly ought to know that. I do not see how we could operate, how the committee could operate without their being correct.

Mr. MALENBAUM. I might say, Mr. Chairman, I do not think you will find there is any carry-over from the petroleum thing to the other items.

Mr. CASE. You think we can trust the rest of the chart, with the exception of petroleum?

Mr. MALENBAUM. Yes.

Mr. CASE. Otherwise how can we proceed, Mr. Chairman? If we cannot use the figures supplied in these tables, if we have to make corrections in every instance, how can we proceed?

The CHAIRMAN. I do not see how we can. Would it be possible for the State Department or anybody else to check these figures through so that we might have an idea of what the situation actually is, and then be prepared to make corrections that are needed to be made in these tables, which have been furnished? Is there any way that could be done, because frankly it takes about three times as long to run a hearing if we are going to run into that factor on every item.

Mr. CASE. They can have my copy overnight, because I do see how we can proceed unless we have the correct figures.

Mr. LEVY. Mr. Chairman, I can give you the corrected figures so far as Austria's production is concerned.

The CHAIRMAN. Does the same situation apply to everything with reference to petroleum all the way through the book?

Mr. LEVY. It is just for Austria.

The CHAIRMAN. Just for Austria.

Mr. LEVY. That is as far as I can give it now.

Mr. CASE. Suppose you take up one of these tables and give us the figures as they ought to be with the corrected amounts.

Mr. LEVY. The domestic production, 1948–49 is about 900,000 tons, as given there.

The CHAIRMAN. The domestic production is about that?

Mr. LEVY. Yes. Total imports are given at 80,000.

The CHAIRMAN. That is correct.

Mr. LEVY. Total imports in the prewar period are about 245,000, which is about 50,000 tons off.

Mr. CASE. 50,000?

Mr. LEVY. About 50,000, yes; imports, about 250,000 to 300,000 tons. For 1946 we do not have their import figures.

Mr. CASE. That would make their available supply figure prewar at how much?

Mr. LEVY. 350,000 to 400,000.

Mr. CASE. Instead of 346,000?

Mr. LEVY. Yes. In 1945 Austria was occuppied and we do not have import figures, but I can give you the total production for 1946, about 750,000 tons.

Mr. CASE. 750,000 tons instead of 385,000?

Mr. LEVY. Yes.

Mr. CASE. Their suggestion to that is 546,000 for the total imports?

Mr. LEVY. I beg your pardon.

Mr. CASE. The total imports for 1946 was given at 542,000.

Mr. LEVY. It is difficult to get a figure for imports for civilian use in 1947.

Mr. CASE. Do you think that is right or wrong?

Mr. LEVY. I am not sure; unless that includes the Army requirements, where they got those figures.

The CHAIRMAN. Somebody must have gotten the figures from somewhere. Where did they get them; did the Army give them to you?

Mr. LEVY. They may have been obtained there. There is also a possibility that the CEEC report included these statistics.

The CHAIRMAN. All right. Then that last figure, available supply, should be how much?

Mr. LEVY. I doubt that the import figures——

The CHAIRMAN. You do not know what they are?

Mr. LEVY. No; the Army probably would know that.

Mr. CASE. How about 1947?

Mr. LEVY. I have no import figures.

Mr. CASE. No import figures?

Mr. LEVY. That is right.

Mr. CASE. And this figure of 601,000 is incorrect? You question that?

Mr. LEVY. But the production 8,000,000——

Mr. CASE. 800,000 instead of 385,000?

Mr. LEVY. Yes.

The CHAIRMAN. And what about the available supply?

Mr. LEVY. That would again be subject to the correction of the import figures. The figures shown in the statement may or may not include military requirements of the occupation forces there, United States, French, and British.

Mr. WIGGLESWORTH. Then in 1948–49 you have got domestic production 900,000 plus as compared with 300,000 prewar.

Mr. CASE. As compared 101,000.
Mr. WIGGLESWORTH. That is right.
Mr. LEVY. That is correct.

EFFECT OF USE OF AUSTRIAN PETROLEUM BY THE RUSSIANS

Mr. CASE. What change has taken place in the Austrian economy to cause her petroleum production supply to increase from 101,000 metric tons prior to the war to 800,000 metric tons domestic production post-war, even not taking into consideration any imports?

Mr. LEVY. Oil production was greatly increased during the war. However, all the oil fields are located in the Russian zone, and the Russians did and do not make sufficient quantities of oil available to the Austrian economy. They keep a large part for themselves or export it.

Mr. CASE. But the table gives us the amount, including the domestic production, for the available supply.

Mr. LEVY. The domestic production in the country is included in the figure for Austria's supplies in spite of the fact that Austria obtained only a small part of it from Russia.

Mr. CASE. That may be, but this morning we were told that if we would take the total of the imports and the domestic production and add them together and subtract the available supply we would get the amount that was exported. In other words, that this figure, available supply, shows the supply available for the local economy. Am I not correct in that statement, Mr. Chairman?

Mr. LEVY. Yes.

The CHAIRMAN. That is right.

Mr. LEVY. That might be, but they got only a part of the total, because Russia was taking the rest.

Mr. WIGGLESWORTH. 27,000 metric tons is a very small factor in 989,000 estimated as the available supply necessary for their needs.

Mr. LEVY. The 27,000 tons that are indicated in the statement as necessary imports are needed because there are no cracking facilities in Austria; even if the Austrian Government did have available for its own use its own oil, that is the total production of crude oil in the Russian zone; it could not obtain more than about 25,000 tons of motor fuel from this crude oil by ordinary refining. Austria would still have to have imports of motor fuel, even if she had all the crude oil, which in fact she does not have.

Mr. CASE. I am familiar with the fact that the Russians were using Austrian oil—I was over there last fall when Austria was complaining bitterly about that fact, but still since this statement indicates this amount was supplied and was available, we proceeded this morning on the theory there is that much available for Austria, and the amount they have down here, this figure of 27.6 thousand tons, is the amount the ECA would finance from the Western Hemisphere. Now are we to supply the money to pay the Russians for some of the oil of Austria which the Russians are taking?

Mr. LEVY. No; it provides for shipments to come from the Western Hemisphere. At present the Austrians must provide the means of paying for their oil, buy their own oil.

Mr. CASE. Do you know what the supply of oil is, which the Russians have taken from Austria, and which the Russians might sell?

Mr. Levy. We know that last year they have sold about 70,000 tons to Czechoslovakia.

Mr. Case. Do you know how the price at which they sold that oil compares with the price of the oil from the Western Hemisphere, plus transportation charges?

Mr. Levy. I understand that was done through a barter transaction of some kind.

Mr. Keefe. Through what?

Mr. Levy. Under a barter transaction. It is mainly a paper transaction so far as the price is concerned.

Mr. Case. But could you not figure out whether or not it would be cheaper to buy Austrian oil from Russia than it would be to buy it from the Western Hemisphere and pay the transportation costs?

Mr. Levy. Wherever the Russians have sold oil outside the barter the price was high.

Mr. Case. Higher than it would be from the Western Hemisphere?

Mr. Levy. Insofar as we have had information on it, it has been somewhat higher.

Mr. Case. Do you know what proportion of the production of petroleum the Russians are letting the Austrians use of their own oil?

Mr. Levy. The Russians claimed originally most of Austria's production as their own. They have now reduced their claim to 60 percent of the present oil production.

Mr. Case. As a matter of actual ownership, or as a matter of reparations?

Mr. Levy. As a matter of final ownership, under the Potsdam agreement.

Mr. Case. If the Austrians do own, as you say, the 40 percent of production, and based on their previous use——

Mr. Levy (interposing). Of the 40 percent, most of it is owned by American-British companies.

Mr. Case. This may be leading away from the discussion of the particular subject we were discussing, Mr. Chairman, but I think it is related. If that has been the fixed percentage, they have been using the other 40 percent?

Mr. Levy. Yes.

Mr. Case. Does the settlement agreement contemplate any repayment by the Russians for the 40 percent of the production belonging to Austria which the Russians have been consuming?

Mr. Levy. I do not know what is happening in the negotiations; but, as far as the supply of the Austrian economy is concerned, the Russians make some small monthly allocations. Even these relatively small quantities have been reduced lately.

Mr. Case. Yes, but the important point in considering this particular problem would be this, however: If the Russians have been taking 100 percent of the Austrian production and applying it to their own economy rather than that of Austria, do you know if any negotiations are going on that will handle that 40 percent question?

Mr. Levy. Yes.

Mr. Case. So the Austrians can use that, and should eliminate that amount of oil, or requests for assistance to that extent.

Mr. Levy. The United States proposal suggests delivery of 27,000 tons from dollar oil sources; but these 27,000 tons consist mostly of

motor fuel, which at the present time cannot be obtained by Austria from its own crude oil.

Mr. CASE. But even if what you say is correct, it is oil they can use. And the Austrians would be benefitted by the exports by the Russians, of the 30 or 40 percent of the production, which should be returned to them.

Mr. LEVY. Yes, I agree with you, but I understand—and I was present in the negotiations concerning Austria as a member of the United States Peace Treaty Delegation last summer—that Russia insists even today that they should have the freedom to export the output from Austrian oilfields controlled by them any way they want, to wherever they want, and without any benefit to the Austrian economy. That was the situation last summer.

Mr. CASE. But admitting that fact, if Austria wants to and can get the benefit of the production of the 30 or 40 percent, it should add something, give her some asset in her international trade relations, which could be applied to what is needed by Austria in her economy.

Mr. LEVY. I think that 40 percent of Austria's oil might well be needed to satisfy her minimum requirements which are about four hundred to four hundred and fifty thousand tons.

Mr. CASE. Of course I get your point, but I think perhaps I did not make myself clear. If Austria gets the benefit of this 30 or 40 percent, it would add to her general assets.

Mr. LEVY. It would increase her assets; yes.

Mr. CASE. And her international trade situation.

Mr. LEVY. Yes; but I might also mention that the Russians had previously allocated for Austrian needs a percentage of the total production of Austria's oil, for example, in 1946 and 1947—the amount was about 30 or 40 percent of the total.

Mr. CASE. An allocation for which Austria had to pay?

Mr. LEVY. Yes; in Austrian shillings.

Mr. CASE. At what rate?

Mr. LEVY. I understand at a high rate.

Mr. CASE. If they get control of that percentage themselves, ought not that help them quite a bit with their oil needs?

Mr. LEVY. They still have to pay the owners.

Mr. CASE. But would they pay at the exorbitant rates of exchange?

Mr. LEVY. There was no exchange involved.

Mr. CASE. No; but in a price related to shillings.

Mr. LEVY. It probably would be reasonable.

Mr. CASE. That would help a little.

Mr. LEVY. Yes.

Mr. CASE. Are you familiar with the petroleum figures for the other countries where they should be corrected?

Mr. LEVY. Yes.

Mr. CASE. Will you indicate the figures in those tables which should be corrected?

Mr. LEVY. Yes; they require some corrections, but in general they are correct.

Mr. CASE. What other corrections should be made?

RECONCILIATION OF DATA ON IMPORTS BY PORTUGAL AND SWITZERLAND FOR 1947

Mr. LEVY. If you compare the figures with the originals in the Commodity Report G on Petroleum of the State Department, covering imports for 1945–46——

Mr. CASE. For which countries?

Mr. LEVY. For Portugal and Switzerland.

Mr. CASE. Portugal and Switzerland. Will you turn first to page 26, on the main sheet, for Switzerland, and tell us what corrections should be made in our figures?

Mr. LEVY. The table is correct. The commodity report included preliminary figures for Portugal and Switzerland. Switzerland is shown there with imports in 1947 of 1,000,000 tons.

Mr. CASE. For 1947.

Mr. LEVY. Yes.

Mr. CASE. The figure here is 755.

The CHAIRMAN. You mean the 755,000 is correct?

Mr. LEVY. As far as I know.

Mr. CASE. The table in the brown book is wrong?

Mr. LEVY. Yes.

Mr. CASE. With reference to the brown book, what is the table?

Mr. LEVY. I do not have the 1947 figures before me.

Mr. CASE. What about Portugal?

The CHAIRMAN. Page 22 of this large sheet.

Mr. LEVY. For Portugal the table is right and the brown book is wrong.

The CHAIRMAN. The same thing for 1947——

Mr. LEVY. The same thing—we did not have the 1947 figures—did not have them when we compiled the brown book.

Then for Ireland——

The CHAIRMAN. That is on page 14.

Mr. LEVY. These are are latest figures we have. We have not yet received a report including the statistics for the whole of 1947 for Ireland. The 350,000 given here is a preliminary figure and has to be verified.

Mr. MALENBAUM. Those figures are based on a 10-month period.

Mr. LEVY. I understand that the total for the year may amount to four hundred to four hundred and fifty thousand, but we have not yet received the final statistics from Ireland.

Mr. CASE. Does that complete the corrections you would suggest on the petroleum figures?

Mr. LEVY. Yes.

The CHAIRMAN. Some of the figures for petroleum will require quite a considerable drain on us. I wonder if we ought to undertake to supply, in each instance, the amount that is set up here.

Mr. BALL. The total requirements, of course, Mr. Chairman, are less than they have been in years gone by.

EXPORT OF PETROLEUM PRODUCTS TO BELGIUM

The CHAIRMAN. On us the total requirements would seem to be more. For instance in the case of Belgium it is stepped up from prewar to last year, 1947, over 100 percent, and then it steps up this year 40 percent over prewar.

Mr. BALL. That is the total requirement in dollars, not exports from the United States.

The CHAIRMAN. That is true, but there seems to be nearly half of the total requirements set up as imports from us, and to be taken care of in the ECA shipments.

METHOD OF FINANCING EXPORTS TO BELGIUM

Mr. LEVY. These ECA shipments, which have to be financed, refer only to shipments for which the Belgium importer must otherwise pay dollars.

The CHAIRMAN. You mean for this 596,000 tons?

Mr. LEVY. Yes.

The CHAIRMAN. That is to be paid for in dollars?

Mr. LEVY. That is the quantity which has to be paid for in dollars; it is supplied through some of the American oil companies, and includes only a relatively small quantity which will be supplied directly from the United States. It includes large quantities which will be supplied from the Caribbean area, and the Middle East.

The CHAIRMAN. Do you mean that Belgium will pay for it, or do you mean that we will finance that ourselves, and contribute that to Belgium?

Mr. LEVY. I understand we will finance their dollar needs for imports of oil from dollar sources.

Mr. CASE. On that point then it means that the 596,000 tons is what we are financing with dollars?

Mr. LEVY. Yes.

Mr. CASE. And the difference between that and the 1,293 of imports is to be financed with cash.

Mr. LEVY. The other petroleum imports are to be obtained mostly from British-controlled sources, such as Iran, Iraq, and other countries.

Mr. CASE. Would it be possible for them to increase their imports from those sources, where they can take care of them with their exchange, so as not to call us to supply as much to them?

Mr. LEVY. This problem has been looked into. The situation as it is now is that any expansion of British owned oil production depends on the provision of sufficient facilities. At present it is limited, as we are here by lack of steel and of transportation equipment; British controlled output at the present time is at the maximum rate, and the British must supply practically every market of the world with a large percentage of its requirements. It makes in fact very little difference where the oil comes from.

Mr. CASE. But there again the total available supply, prewar, was considerably less than the amount set up for them now. The available supply, prewar, was 849,000 tons.

Mr. LEVY. Yes.

Mr. CASE. The available supply contemplated for 1948–49 is 1,322,000, or an increase of almost 500,000 tons, and that increase apparently is largely what we are to finance. For instance we are expected to finance 596,000 tons, which makes it clear that the United States is being called upon, with taxpayers' money, to supply Belgium with an increase, over-all, of 500,000 metric tons, which on a percentage basis is about five-eights, or around 60 percent over the prewar demands for petroleum.

Mr. BALL. May I just make the general observation with respect to the increase, that the United States demand has increased by 40 percent since that time, and it takes more oil to rebuild an economy than it does to keep an economy in operation.

Mr. CASE. Admittedly, but the Belgian industrial production, according to this table, in the United Nations report for Belgium, for the second and third quarters of 1948, show respectively, 106 and 102 percent over the level of the 1938 industrial production.

There is a serious question in my mind as to how much the Congress is justified in using the taxpayers' dollars to increase their industrial production above their prewar level.

Mr. LEVY. The point I should like to make is that in 1947, the supply of petroleum products available to Belgium was 1,700,000 tons. What we have done in fact is that we have reduced the 1,700,000 by about 400,000 tons and cut consumption back by this amount.

The CHAIRMAN. This whole picture is presented on the basis of our providing funds for Belgium. I do not know, but when I was there, when I talked to those people, they did not mention a need for anythink of that kind. Maybe they need it, but what is the present financial status of Belgium?

Maybe we had better go into that after we get through with this particular item.

INCREASE IN DEMAND FOR PETROLEUM PRODUCTS BY BELGIUM

Mr. CASE. But on this particular point Mr. Levy mentioned, it is true their available supply in 1947 is shown as 1,702,000 metric tons, but the available supply in 1946 was a total of 883,000 tons. Now, that would indicate they doubled between 1946 and 1947, and in cutting it back to 1,322,000 tons you are leaving them a gain of 500,000 tons above there 1946 demand and a gain of 500,000 metric tons above their interior demand.

Mr. LEVY. What has happened in Belgium is that there was a rapid increase in oil consumption after the war. The number of trucks in Belgium is higher now than it was before the war, and a large number of heavier trucks are in use. In addition to that, oil is being used in industry to a much greater extent, and 1947 was a very prosperous year for Belgium. The CEEC report showed a consumption of 1,700,000 tons in 1947. We felt that this consumption level was high and must be brought down to a level which would be in line with the general level of availability. We cut their estimate by about 30 percent below the 1947 level of requirements. Any further cut in addition to the 30 percent, I believe, would seriously impair the economy of the country. If a country is used to or has become used to the employment of energy at a certain level, it is impossible to cut back consumption from one year to another by a large amount without seriously reducing the industrial activity below the level it had reached before.

Mr. CASE. What standard or criterion do you use in determining whether or not there should be a cut-back?

Mr. LEVY. We have prepared a statement for each country. We have requested each country to supply us with statistics showing what the oil was used for in the past and what they plan to use it for in the future.

Mr. CASE. It is difficult for me to see, though, if the prewar was at about 840,000 or 850,000 metric tons annually and if in 1946 it was right at about that figure, how you could say the Belgian economy had become seriously attached to a level of twice that amount.

Mr. LEVY. What has happened is that oil was used to an increasing extent in 1946 and 1947 as a source of energy and for motor transportation; for inland transportation and shipping they also required larger quantities. The consumption in 1947 was actually at about this level of 1.6 or 1.7 million tons.

Mr. CASE. About double what it was in 1946?

Mr. LEVY. About double what it was in 1946. There were some increases in stocks, of course, which goes along with the increased consumption.

Mr. CASE. And you cut back the allowance you made for stock piling?

Mr. LEVY. Oh, no; much more. The 1.3 million tons which are now included in this report, I believe, require a serious readjustment downward. We have a statement for each country to show product by product what use is going to be made of the oil.

Mr. BALL. Mr. Chairman, Mr. Levy has checked over these tables again and would like to make some statistical amendments to them in addition to those he made yesterday afternoon. This is the first chance he has had to do that.

The CHAIRMAN. All right, Mr. Levy. If you will take this document and call our attention to what you want to change, we will try to accommodate you.

Mr. LEVY. Thank you very much.

The CHAIRMAN. The oil picture would be on page 2. Is there any change on that beyond what you gave us yesterday?

Mr. LEVY. None whatsoever. The next change is on page 16.

The CHAIRMAN. There is nothing in between?

CORRECTION OF DATA FOR ITALIAN PETROLEUM PRODUCTS

Mr. LEVY. No. On page 16, the figures for Italian petroleum products are listed under No. 21. In the prewar column there is a typographical error on available supplies; instead of 2,278, it should read 2,778.

The CHAIRMAN. Is there anything else on that page?

CORRECTION OF DATA ON UNITED KINGDOM PREWAR IMPORT STATISTICS

Mr. LEVY. Nothing whatsoever. The next page to be corrected is, page 30, referring to the United Kingdom prewar import statistics. The import statistics for prewar and for 1946 and 1947 include imports of British dependent overseas territories.

The CHAIRMAN. That is all right?

Mr. LEVY. Yes. The available suply shown there is the supply available to the United Kingdom only. The reason for that presentation is that our statistical people were unable to prepare separate statistics for the imports of all of the dependent overseas territories, in the time they had available. Therefore they used the figures that were submitted in the Paris report, which gave only the total imports of

the United Kingdom and of all dependent overseas territories combined. You will therefore find a discrepancy, if you want to call it that, between the total imports plus production as compared with available supplies.

The CHAIRMAN. Does that mean there were some exports?

Mr. LEVY. It means that the imports include the imports of the United Kingdom plus all imports of the dependent overseas territories of the United Kingdom, and the available supplies refers to the United Kingdom only.

Mr. MAHON. You mean prewar?

Mr. LEVY. Prewar, 1946 and 1947.

The CHAIRMAN. You mean the total overseas territories and everything else?

Mr. LEVY. These figures were included in the imports.

The CHAIRMAN. Well, that did not get into the United Kingdom as such?

Mr. LEVY. Not all of it; but the Paris report put it all into one lump figure, and we could not separate it.

The CHAIRMAN. And that same thing applies to all of this?

Mr. LEVY. It does not apply to our estimates for fiscal 1949. Those are correct.

The CHAIRMAN. It does not?

Mr. LEVY. No; it applies to prewar, 1946 and 1947.

Mr. MALENBAUM. The available supply figure is correct, though?

Mr. LEVY. For the imports, it is not correct.

Mr. MALENBAUM. Can you give us the corrected figure?

Mr. LEVY. We have tried to get the imports of the overseas dependent territories. It will take about 2 or 3 weeks before we will have them. There are about 15 to 20 countries involved.

The CHAIRMAN. What else is there?

Mr. LEVY. The same observation I made with regard to the United Kingdom applies to France and her dependent overseas territories.

The CHAIRMAN. What about the Netherlands?

THE NETHERLANDS

Mr. LEVY. The Netherlands figures are all right. It was not done that way in the case of the Netherlands, because the Netherlands do not import any petroleum products in the dependent overseas territories. The Dutch Indies produce enough oil for their own requirements.

Mr. STEFAN. You say the Netherlands produce sufficient for their own supplies?

Mr. LEVY. In the East Indies.

The CHAIRMAN. But not for the Netherlands itself?

Mr. LEVY. Not for the Netherlands itself.

Mr. NITZE. May I point out that all the figures under 1948–49, prewar, and 1946–47 are, in general, the imports, production, and available supply of the mother country only, while the expected ECA financed shipments cover generally not only the mother country but also the dependent areas.

The CHAIRMAN. Not the petroleum figures particularly but a good many of those other figures cover the available supply figure as arrived at after deducting the exports, and for that reason, we do not expect

a jibe all the way through. That is the picture we have had so far in practically all of these things, and I was expecting that was the same explanation for the petroleum, but I am glad to have the story that the import figure does not cover the same thing that the available supply figure covers.

Mr. MALENBAUM. For France and the United Kingdom only.

BELGIUM AND LUXEMBOURG PETROLEUM IMPORTS

The CHAIRMAN. Now we will take this up item by item on petroleum as fast as we can and get it cleaned up.

For Belgium and Luxembourg—I do not know why those were supposed to be together, but they seem to be—you have 596,000 tons to be financed out of the Belgium-Luxembourg picture. I am rather wondering is it not possible that these people are able to finance their own importations without our having to do it for them. That is an over-all, general question rather than a specific one that is confined to this particular job. Why do we want to butt into that picture and get them in the habit of being financed all the time through our Government, if they can do it themselves? That, it seems to me, is the development of a very bad practice.

Mr. NITZE. It certainly would be the development of a very bad practice if it could be avoided. However, the figures show the Belgians' entire required commodity imports total $648,000,000 during the fiscal year 1948–49 and the commodity exports to the Western Hemisphere total $210,000,000. So there is a deficit in the merchandise balance of $438,000,000 which they would not be able to finance out of earnings from exports.

The CHAIRMAN. But they are making exports to other countries outside of the Western Hemisphere that would run into a considerable amount, are they not?

Mr. NITZE. They are. Those figures are also included on this particular page I referred to. If you take their exports to other nonparticipating countries——

The CHAIRMAN. Or even to participating countries.

Mr. NITZE. The figures indicate that with respect to the participating countries, they would have a favorable balance of $130,000,000, but with the other nonparticipating countries, they would have an unfavorable balance of $52,000,000. The total with all nonparticipating countries would be a deficit of $490,000,000.

Now, the main problem of Europe is a shortage of dollars and gold and convertible currencies. The earnings of Belgium with the participating countries——

The CHAIRMAN. Belgium did not have an unfavorable balance, everything considered, prewar, did she?

Mr. NITZE. I believe she did on the merchandise account.

The CHAIRMAN. Yes; but not when you come to consider everything.

Mr. NITZE. Not when you come to consider everything. And I think you will find in the justification a description of the Belgian situation on page G–8 of the justifications. In the last sentence of the first paragraph, it says—

> In the years immediately before the war, Belgian imports slightly exceeded exports in value, but the deficit was more than covered by income from foreign investments, services to the transit trade with Germany, and other invisible earnings.

The CHAIRMAN. But they have a very considerable favorable trade balance resulting from their Congo operations, do they not, with the rest of the world?

Mr. NITZE. Those figures, I think, can be found on page 29 of the brown book "Estimated balance of payments on current account of the participating countries," and with respect to the Western Hemisphere those figures show that it is estimated that the Belgian Congo will have a favorable trade balance with the Western Hemisphere of $31,000,000, a deficit of $1,000,000 on the invisible account, and a net balance on the current account of $30,000,000. When you take into account the nonparticipating countries, the net balance on current account is $34,600,000, but with the participating countries the Belgian Congo has a deficit. The Belgian Congo imports more from the participating countries in Europe than it exports to those participating countries.

The CHAIRMAN. It imports more from participating countries—that means from Belgium herself?

Mr. NITZE. No; that means from other participating countries. I think that does include Belgium as well.

The CHAIRMAN. And a considerable part of that operation is capital investments, is it not? That is about it, is it not?

Mr. NITZE. I do not believe it is. I do not have it clearly in mind.

The CHAIRMAN. But that is what I understood—that the balance of imports there was very largely Belgian and it was capital investments in connection with developments.

Mr. NITZE. I think one can find the details of that on page 26 by commodities as to what the imports of the Belgian Congo from the participating countries are estimated to be. The largest item is miscellaneous commodities.

The CHAIRMAN. That is true; and it is awfully hard to tell what that means.

Mr. NITZE. Yes, it is.

The CHAIRMAN. That does not tell us anything.

Mr. NITZE. It does not tell us very much.

If I might just make one more point, on pages 10 and 11 of the "Proposed distribution of Economic Cooperation Act financing by country and commodity," the last line on page 11, the grand total indicates total shipments to Belgium from the Western Hemisphere involve an estimated expenditure on the part of Belgium of $987,400,000. Her dollar earnings are estimated at $348,800,000, and it is estimated she might get something of the order of $200,000,000 in the form of loans and credits from other Western Hemisphere countries or from the International Bank—I do not believe there is an Export-Import Bank loan, but from other sources—in any case, leaving an amount of $427,600,000, which is not financable by Belgium out of current receipts. That is really the essential nature of the problem with respect to Belgium.

The CHAIRMAN. Let us get into that a little more. I was going to cover petroleum and let these Interior people get out, but maybe I had better leave those general questions and get rid of the petroleum people, as long as we have gotten into it, because I have quite a lot of questions that seem to be quite pertinent on that general, over-all picture.

We had some testimony on that Belgian petroleum picture last night, and I will take up Denmark just for a moment.

PETROLEUM IMPORT SITUATION FOR DENMARK

You have there a prewar petroleum picture of about 900,000 tons; in 1946, 743,000; and in 1947, 1,170,000. How were those 1946 and 1947 items financed?

Mr. LEVY. 1946–47, as far as I know, were financed by Denmark herself.

The CHAIRMAN. On her own hook?

Mr. LEVY. On her own hook.

The CHAIRMAN. And, of course, their prewar was financed by them?

Mr. LEVY. Certainly.

The CHAIRMAN. Then you have a suggestion of 1,097,000 tons of imports of petroleum for 1948–49, 651,000 tons of which are to be financed by this operation?

Mr. LEVY. Yes, sir.

The CHAIRMAN. Why would it be necessary to shift that position from a business basis to a governmentally financed operation?

Mr. BALL. If I may interject there, I think Mr. Levy's work has been to determine needs and how much comes out of dollar sources and not the basic policy, which I think should be covered by Mr. Nitze.

The CHAIRMAN. We will leave that, then.

Mr. MAHON. Well, this is a matter of dollar balances, is it not?

Mr. NITZE. That is correct.

Mr. MAHON. And if we wanted to help them finance a large percentage of their petroleum, then maybe it would be less than we would provide in the financing of other imports?

Mr. NITZE. That is correct.

Mr. MAHON. And I am wondering what rule of thumb you used in deciding how much of this and that shall be financed through ECA and how much through their own available currencies.

Mr. NITZE. As I said, the firmest documents we had were estimates of the total value of the requirements and the total amount of other dollars which they might have available. The distribution between commodities as to how those dollar earnings might be applied was obviously a fairly arbitrary matter. We used the best information we had available. If it was anticipated the country could get its credits from Argentina, then we applied that credit to the item which might be available from Argentina. We used the best information we had available in order to estimate the distribution of their own dollar earnings among the various commodities, and, therefore, what commodities would have to be financed by ECA if they were to move. Obviously, the specific determination as to what is financed by ECA will have to be made by Mr. Hoffman and his organization after they have obtained even more detailed information than was available to us. But I think this does indicate the nature of the problem.

Mr. CASE. Why should Denmark need 200,000 metric tons of petroleum more than she consumed prewar?

Mr. LEVY. There are several reasons which led to this increase in consumption. The first one is that agricultural tractors in Denmark now amount to about 10,000 to 12,000 units as compared with 2,000 units in 1938.

Mr. CASE. And I notice the plan proposes to increase that by providing 150 additional tractors.

Mr. LEVY. Yes; over 1948–49.

Mr. CASE. Well, over whatever it is. That is 150 for this first year.

Mr. BALL. That would not be any more than enough for replacements.

The CHAIRMAN. Yes; but that does not include tractor supply or importation. In the tractor supply, whether they make them domestically or whether they get those from England, Germany, or France, that 150 is a minor factor.

Mr. CASE. The total imports are 6,000; it is only 150 that are being ECA-financed. That is what I was wondering—why we should finance an increase of the difficulty.

The CHAIRMAN. There is a question there.

Mr. CASE. If the reason for increasing their petroleum imports by 200,000 metric tons is because of the increase of tractors, I was wondering why we should also finance the increase of tractors.

Mr. BALL. The increase of tractors, of course, is equivalent to an increase in the food supply and a decrease in the drain on our future food supply.

Mr. LEVY. There are several factors, of which tractors is one. The next is the number of trucks in Denmark.

Mr. CASE. I do not know, but I just cannot envision those tractors having a great deal of room to work in on those farms of Denmark. Maybe they can produce more with them there than could be produced with them on the big fields of Texas that Mr. Mahon was talking about the other day. I do not know.

Mr. NITZE. May I speak to that point, Mr. Congressman? I think it goes back to the discussion with Congressman Keefe yesterday as to the over-all objective of trying to get to a point where these countries would no longer require extraordinary assistance from the United States. The only way Denmark can do it is to increase her exports of agricultural commodities. She is in a kind of a vise today between scarcity of feedstuffs, corn, for instance—we have had a short corn crop and have been unable to export any corn—and a shortage of other types of feedstuffs, oil cake and oilseed which, before the war, were primary sources of feed for her cattle population.

So that with a very short and very high-priced supply of feed stocks she is having extreme difficulty in selling her normal exports of bacon, eggs, cheese, and things of that kind, at any reasonable price. She must look forward to a position where she can get out of this difficulty which requires greater efficiency in agriculture.

The CHAIRMAN. How much would you know about that agricultural picture, for instance? How large is the average farm there? It is not over 10 or 12 acres, is it?

Mr. NITZE. I believe there are people coming up this afternoon who can testify with much greater accuracy than I could on that Mr. Chairman.

The CHAIRMAN. We will need that information if we are going to make a satisfactory answer to this question.

Mr. STEFAN. But you are basing the total amount of petroleum products needed on the total amount or the increase in the amount of mechanized farm equipment. For instance, you have 150 tractors; plus 6,000 imports of tractors; plus 2,678 trucks, plus 8,000 trucks, all of which must have some relationship to the amount of petroleum products needed over there. Have you taken that into consideration when you came to figuring how much petroleum they needed over there?

Mr. LEVY. Certainly, Mr. Congressman. But, of course, the quantities of oil-using equipment coming in during 1948–49 are a very small part of the oil-using equipment already in the country.

Mr. STEFAN. But you have 8,000 total imports, plus 2,678 ECA-financed—that is all new?

Mr. LEVY. That is all new and will be in the 1948–49 estimates for half a year. But much more importance, of course, in the oil-requirements picture must be attached to the equipment already in the country and there we have a situation which has led to an increased consumption in 1947 or 1948 as compared with 1938.

Mr. CASE. Because that is true—and no one is disputing that—it follows, I assume, that we should aggravate the situation by increasing the number of petroleum-consuming units?

Mr. LEVY. Of course, Mr. Congressman, there is this fact to be considered. The consumption per country, or per head of population, whichever way you want to assess it, in Europe is very, very low indeed. It is about one-tenth or one-twelfth of our——

Mr. CASE (interposing). That is all very well, if you are talking about an ideal situation from their standpoint. Perhaps that is so. But what you are proposing to do here is to take care of their situation with United States taxpayers' dollars. It depends on your point of view. If this whole program is a matter of bringing about an ideal economic situation for all these countries, that is one thing. But if so, it should be done as a result of their efforts and of their working 6 days a week instead of 5 days a week, rather than calling upon the American taxpayers to do it.

EFFECT OF FARM MACHINERY EXPORTS UNDER PROGRAM UPON DOMESTIC SUPPLIES

Mr. STEFAN. Mr. Chairman, at this point I should like to read into the record from page 29 of the justifications presented to us by the Department of Commerce with reference to export control licensing on farm machinery.

> Requirements for farm machinery at home are currently in excess of the industry's ability to supply. Shortage of materials and components such as sheet steel, power transmission chain, bearings, wheels, radiators, and Diesel engines are causing considerable loss in production. Domestic shortages will be intensified by demands for farm machinery under the European recovery program. In its first year of operation, the European recovery program will demand nearly one-fourth of our production annually. Demand for Diesel-powered crawler tractors will be especially heavy, and it is greater than the industry can meet unless production can be greatly increased or the supply of United States farmers drastically curtailed.

All of that has some relationship to the amount of petroleum products we are shipping overseas, plus the amount of farm machinery that we are shipping overseas. I want to ask you this question: Have you taken all this into consideration in reaching these figures on shipment to these different countries, which will mean such a tremendous amount of farm machinery and petroleum taken from our own people, both of which items are in short supply here?

Mr. LEVY. The figures for 1948–49, Mr. Congressman, are, I would say, to the extent of 90 to 95 percent, or even more, based on the equipment, petroleum-using equipment available in the country as of now.

The increment which might or might not occur in the case of petroleum-using equipment during 1948–49 would (a) at best be available for half a year; (b) it would be a very small percentage of the equipment in the country as of this moment.

We have also to consider, for instance, that when our armies left Europe, they left a large number of trucks in Europe. These trucks were heavy trucks, using much more oil per unit, double perhaps, than European trucks have ever used. They are used more intensively. There are now also many more old trucks in use than ever before. Certainly most of the European trucks are old trucks, and we know the use of old cars has done to our own oil picture here. It has increased consumption tremendously as compared with prewar.

All these factors we have to consider, and added to that you have the fact that shipping is now largely using oil; I mean oil-burning steamers or motor ships. The bunker requirements of European ships and of our own ships bunkering in European ports are also included in these estimates, a factor which is also responsible for an increase over 1938.

INCREASE IN OIL-BURNING SHIPS USING DANISH PORTS

Mr. CASE. Is there an increase in the number of oil-burning ships using Danish ports?

Mr. LEVY. I would say definitely, sir, for this reason: Ships of all flags go to Denmark; and as far as world tonnage is concerned, the world tonnage of oil-using ships of 100 gross registered tons and over amounted to 37,000,000 gross tons in 1939. It is now 6,000,000 tons, an increase of over 60 percent in oil-using tonnage. All our Liberty ships, or the ships that we built during the war and which are employed in the European trade, figure in this.

Mr. CASE. Are those Liberty ships going into the European trade now?

Mr. LEVY. I am sure they carry a lot of goods.

Mr. CASE. Are the Danish ports supplying the traffic of Germany now? In other words, are German needs being supplied by shipment into Danish ports now?

Mr. LEVY. I would not know, sir.

Colonel BLUMENFELD. For the most part we are using the German ports.

Mr. CASE. I know that that is the answer and that is why I was trying to find out why there was an increase of shipping into Danish ports.

Mr. LEVY. That is not necessarily so, sir; it is an increase in the amount of oil-burning tonnage plying the oceans.

The CHAIRMAN. There is very little coal-burning tonnage left.

Mr. LEVY. That is correct, Mr. Chairman. All the new ships leaving our own yards here are either oil-burning steamers or motor ships. That is the trend of the times and it has been the trend of the times for the last 10 years.

Mr. CASE. Do you have any figures to show how much of this increase in demand for petroleum in Denmark is due to refueling in Danish ports?

Mr. LEVY. I may have.

PERCENTAGE OF UNITED STATES AGRICULTURE EQUIPMENT TO BE EXPORTED UNDER ERP

Mr. NITZE. While Mr. Levy is looking for those figures, I wonder if I may refer to the testimony of the Commerce Department to the effect that 25 percent of the agricultural equipment produced in this country was estimated to be exported under this program?

Mr. STEFAN. Yes.

Mr. NITZE. That figure is, I am quite sure, incorrect.

Mr. STEFAN. The Department of Commerce, according to your testimony, is going to say how much you can ship over there and whatever you ship will be under license control, which is under the Department of Commerce. Here we have testimony given just a few days ago before this committee and now you say that those figures are wrong?

Mr. NITZE. I believe them to be wrong, but those people will be up here and will testify before you themselves. I believe the correct figure is 8 percent, not 25 percent.

The CHAIRMAN. Mr. Hoover told us that the export figures had been revised by the economic set-up of ECA to 8 percent. But we have an item that is involved of $822,000,000, outside of this, for Germany. We have a considerable item for China that was authorized, and we have an item for Japan. So that, when we get all through, the fact that ECA might take only 8 percent, and somebody else a great deal more, when you consider imports into those countries under conditions of their foreign exchange that is available, then the Department of Commerce figure of 25 percent might be correct.

Mr. STEFAN. Yes. And if they have any other figures, Mr. Chairman, we ought to have them. These figures ought not to be just pulled out of a hat. But these are official figures, I assume, that I have in front of me.

The CHAIRMAN. We do not want to confuse the issue here. We want to have it right side up.

Mr. STEFAN. That is right. Let us have the official figures here. All I can go by is the official testimony.

The CHAIRMAN. That is what the Commerce Department estimated would be the percentage of exports.

Mr. CASE. In a formal statement submitted to the committee.

Mr. STEFAN. I have the official statement in front of me.

The CHAIRMAN. For instance, take page 6 of this set of tables for Denmark. The ECA item for tractors is 150. Nevertheless, the total import figure is 6,000. How many of those may come from the United States financed in other ways, no one can tell; you cannot, and neither can I. I can understand why anyone would want to get that picture clear.

Mr. NITZE. Mr. Chairman, the 8-percent figure covers the estimated total exports to the participating countries, whether ECA-financed or not, whether financed out of their own resources or other money or out of ECA.

Mr. KEEFE. These are completed tractors manufactured; is that correct?

Mr. NITZE. On that I am not quite sure.

Mr. KEEFE. If they were not, then we would be in another morass of thinking here, because the chairman has just referred to the fact that you have vast exports contemplated of components that can be utilized in Britain or France or some other place, where they are making tractors, to furnish the additional number of tractors that it is contemplated will flow in this trade.

The CHAIRMAN. There may be imports directly from this country.

Mr. KEEFE. I have no way of telling.

The CHAIRMAN. Neither have I. But the volume is much larger than this, I should think.

Mr. CAWLEY. Mr. Chairman, Department of Commerce officials will appear here in a few days; when the people from the Department of Agriculture come up I thought it would be well also to have Department of Commerce officials here so that they can talk about agricultural equipment along with the food requirements.

Mr. CASE. Mr. Cawley, when they do, what would you have this committee do, accept the figures of the Department of Commerce that they then give or these that are part of their formal statement, or the statemen of Mr. Nitze from the State Department?

Mr. CAWLEY. Mr. Case, I believe that that statement of the Department of Commerce requires further explanation and elaboration. I think the committee would have to await the testimony of these officials before arriving at that decision.

Mr. CASE. I am sure, if the experts could get together, it would help us a great deal.

The CHAIRMAN. We have got to have all the testimony before we can arrive at any decision.

Mr. CAWLEY. Yes, sir.

The CHAIRMAN. I would not be a party to anything else, and I know no one else would be, on this side of the table.

Mr. STEFAN. Up to this time we have had nothing but these official figures before us.

Mr. CAWLEY. That is correct.

Mr. STEFAN. We can only go by official figures that are presented to us from time to time.

Mr. MAHON. Mr. Chairman, I hardly think it worth while to discuss the tractor situation until we have Mr. Dodd and the others before us.

INCREASED NEEDS OF PETROLEUM FOR DENMARK

Mr. CASE. Mr. Levy, you were about to give us the reasons for this increase of 200,000 in the level of petroleum products for Denmark?

Mr. LEVY. Yes.

Mr. CASE. You discussed the agricultural situation and then you were talking about the number of ships.

Mr. LEVY. The fuel oil bunker requirements in Danish ports in 1938 amounted to 11,000 tons. In 1948 they are estimated to amount to 120,000 tons.

Mr. CASE. What do you know about Danish shipping? Are those ships under the Danish flag?

Mr. LEVY. I would say that many of the ships that call at Danish ports—and I am not sure what is the percentage of Danish-flag ships and other ships that call at Danish ports—will bunker there.

Mr. CASE. I was just wondering how it could be possible for Denmark between 1938 and now to have converted from coal burning or other types of fuel burning to oil to such an extent as to explain that increase in oil demand.

Mr. LEVY. It is not a conversion. These are new ships. The fleet, as you know——

Mr. CASE. That would make it even more difficult for me to understand.

Mr. LEVY. They are ships probably built to a considerable extent right here in the United States; Liberty ships, which carry a large part of the cargo.

Mr. CASE. Now flying under what flag?

Mr. LEVY. Our flag, the Danish flag, if we have sold some to Denmark, which I do not know; the British flag most likely, or very likely.

Mr. CASE. That gives me a clue. That would make it possible then for ships flying under the British flag to carry cargoes to Denmark of something other than fuel and do their fueling or refueling in Denmark?

Mr. LEVY. A cargo ship would most likely bunker in Denmark, if it is economical to do so.

Mr. CASE. Are there any other reasons for this increase?

Mr. LEVY. Yes; there are one or two further reasons. Denmark, as you know, is a country which produces no coal. It is one of the few countries in Europe where there was an extensive use of oil for railways even before the war.

Mr. CASE. And they have been converting over further to oil-burning equipment?

Mr. LEVY. They had used Diesel railway cars even in the early days. I am sure they could not run those under the Germans. But they are still there and they are running now.

Mr. CASE. Are there any other reasons?

Mr. LEVY. Yes. Also, to some extent, Danish industry is using oil as a source of energy.

Mr. CASE. They have been converting recently?

Mr. LEVY. They have started to convert but under the estimates that we have prepared, Mr. Congressman, I would like to point this out: The Danish request for 1948 as far as total oil imports are concerned was for 1.9 million tons. That request was cut back to 1.1 million tons, as you see in the figures.

Mr. CASE. Do you know whether any effort has been made to effect a change between the kind of things which Denmark has for export, and coal from the Ruhr or from other areas?

Mr. LEVY. Yes.

Mr. CASE. Where they are short of dairy products, which Denmark has for export?

Mr. LEVY. Two attempts have been made, two main attempts, to bridge the coal shortage. The first one is an increase in peat production in Denmark itself. This, in turn, has been reasonably successful.

Mr. CASE. I did not care to go into the coal picture at this time, except as it related to the matter of conversion from coal to oil. You spoke about industry going to oil and I was wondering why, instead of doing that, they did not continue with coal in that situation, with an increased demand for petroleum when a neighbor as close as Germany would like the things that Denmark has for export, which in that case, if the exchange could be arranged, would not require dollars.

Mr. LEVY. Except that the Ruhr coal exports, as Mr. Nitze will affirm, are under strict allocation.

Mr. CASE. I recognize that they are, but that goes to the basic problem. I think the fatal approach that has been taken in a great deal of this program is the fact that we are trying to do this job altogether from the dollar standpoint instead of using a form of trade which would lend itself to the needs of the situation.

Certainly it is clear to anyone who has gone into the German situation at all, that the incentive to which Germany will respond is food.

Mr. LEVY. Right.

Mr. CASE. And if they could be assured of an increase in the type of food that Denmark has for export, it would represent the strongest kind of incentive for them to increase their coal production and coal exports, if they could be used for that purpose.

Mr. LEVY. I understand that the coal Denmark gets is obtained largely in exchange for its food exports, that is for their exports to Germany and the Ukraine. However, the production of coal in the Ruhr, as will be stated later on, is much below the prewar level. There seems to be not enough coal in Europe to go around.

Mr. KEEFE. The New York Times had an article yesterday, which I read yesterday afternoon during these hearings, in which they pointed out that coal was piling up in Poland; the Polish production of coal was piling up. It was becoming a glut; and they could not move it.

Mr. LEVY. As far as I know, Scandinavian countries have commercial agreements with Poland for the exchange of their products against Polish coal. How it is working right now, what bottlenecks exist, what transportation may do to the flow of goods, I do not know. But I am sure that our coal people will know.

Mr. CASE. Do you suppose it would be possible for England to use a lot of these Danish products, too?

Mr. LEVY. They do use a great deal of it.

Mr. CASE. Do you suppose that if it were suggested to the coal miner in England that he could get a little more of that variety of food if he stayed on the job in the coal mines, it would have any effect?

Mr. LEVY. I think some incentive schemes are used in England now, but they are not in use on a basis of the British coal miner dealing with the Danish Government.

Mr. CASE. I think we are getting off our subject a little bit and I do not want to pursue that at this time.

Are there further reasons for this increase of petroleum demand?

Mr. LEVY. I think these are the main reasons, Mr. Congressman.

DISCUSSION OF CONVERSION OF CURRENCIES

Mr. KEEFE. Mr. Chairman, before you get to your next item, the question that has recurred in my mind ever since I have been reading these justifications—and it is applicable to every country over there that are participants in this program—indicates my inability to understand something of the fine technical questions that are constantly being referred to in the matter of the convertibility of European currencies into dollars and the convertibility of pound sterling into dollars; the blocking of pound sterling against convertibility into dollars, and so forth.

I confess that is a very technical subject and yet all through these justifications it is given as one of the basic troubles with the whole situation.

So far as I am concerned, in order that I may guide my own thinking—and also I think there are a great many people who would like to have some enlightenment on the subject—I wonder if somebody in the Treasury Department or the State Department or any other department that is expert in this field, can get up a clear, understandable statement, as to exactly what you are talking about when you state, on page G–11 of your justifications, for example,

> * * * if the convertibility of other European currencies into dollars can be achieved, Belgium will be in a position to give assistance, in turn, to the other European countries, * * *.

Then again, on page G–10, it is indicated that—

> after August 1947, when severe limits were placed on the convertibility of sterling, these deficits were financed primarily by liquidation of gold and dollar assets.

And as a result Belgium—and that applies to other countries as well—is unable to finance her dollar deficits by converting British pounds into dollars.

That presents a basic concept that I think the Congress is entitled to understand and the members of this committee are entitled to understand; because all through these justifications the basic problem is one of currency reform. And all through these justifications it is stated that the reason the American taxpayer is being called upon to furnish these dollars is to make up this vacuum, that exists because of an inability to convert so-called soft currencies and sterling into dollars.

Will you have such a statement prepared for insertion in the record at this point? That will give an understanding picture of just what you are talking about when you use that kind of language.

Mr. NITZE. This is a basic point, Mr. Congressman. We had hoped that at the time the Treasury was up here we could assemble the people who could speak with real authority on this point and answer all the questions which you might have on it.

Mr. KEEFE. Mr. Chairman, I am merely serving notice now, so that you may take cognizance of it, Mr. Nitze, and get that matter prepared so we may have it. Personally, I expect at some time during the proceedings to go into that matter at some length. I have given some study to this problem myself. I do not pretend to be an expert, but I want to be sure that my concept of it is correct.

PETROLEUM REQUIREMENTS UNDER PROGRAM FOR FRANCE

The CHAIRMAN. In the French picture there seems to be an ECA item of 5,548,000 tons of petroleum out of a total of 7,539,000 tons; and a prewar availability of about that same amount. However, the availability for 1946 and 1947 was below that figure.

You seem to have a general increase there. Why do you set up an increase of 1.5 million tons?

Mr. LEVY. France is a country which, in 1947, had experienced unrest and strikes, affecting its industrial production which meant that French petroleum consumption in 1947 was considerably below the 1938 level. I think France is probably one of the few countries in Europe where that was the case.

On the other hand, the number of trucks available to the French economy, which will be used intensively, once the French economy gets going at reasonable or, if you will, at full speed—the number of trucks right now available to them is in excess of the 1938 figure.

The CHAIRMAN. They had a production in 1946 and 1947 in excess of 60,000 units.

Mr. LEVY. Yes.

The CHAIRMAN. Are they building up a great many large-size trucks that will use gasoline instead of a more moderate size type that might take care of a good deal of their operations?

Mr. LEVY. No. The French motorcar manufacturing industry produces usually light trucks compared with our trucks or with those trucks which we left behind in France.

The French railway system needs supplementation by trucks, and trucks are an essential part, and a very essential part, of the French transport economy; there is no doubt about it.

The number of trucks in France right now is between 500,000 and 550,000 units, which is very small indeed for a country the size of France.

The CHAIRMAN. They seem to be making enough to take care of what they really need and do a little exporting, which would give them some exchange.

Mr. LEVY. Yes.

The CHAIRMAN. It looks like an addition to their last year's figure.

Mr. LEVY. There is one further fact, Mr. Chairman, if I may state it. The consumption of France increased from 4.3 million tons in 1946 to 6.1 million tons in 1947. That means in fact that the rate of consumption at the end of the year was probably about 7 to 8 million tons because these are figures covering the whole year, and if consumption goes up during the year, or over the year by 2,000,000 tons, it means that the rate of consumption by the end of the year is higher than the average for the year.

So this explains, too, why the figure for 1948–49 is in excess of the 1947 figure. Otherwise we would cut the French back below the rate of December 1947.

Mr. WIGGLESWORTH. Why is production so much lower than prewar?

Mr. LEVY. The production prewar included alcohol and benzol. There are better uses for alcohol than motor fuel. In addition to that, the production of alcohol from agricultural products requires a certain amount of energy.

The CHAIRMAN. And you could not afford it?

Mr. LEVY. Yes. There would be an energy loss on a net basis.

PETROLEUM REQUIREMENTS FOR GREECE

The CHAIRMAN. The Greek picture seems to be up quite considerably, but I do not know just why. They are not engaged in any activity. It does seem as if this was a pretty liberal figure, although it is comparatively small; there is not very much of ECA money in it. It is 754,000 tons against a prewar figure of 385,000 tons. That is double. It does look as if that were a rather liberal allotment, does it not?

Mr. LEVY. It certainly looks that way if you compare it with prewar imports, but there again there are certain factors that must be taken into consideration.

The CHAIRMAN. They do not do any fishing, as they might; they do have some ocean transportation and they do carry on some navigation around the Mediterranean.

Mr. LEVY. Of course, Mr. Chairman, the Greek economy is in disorder at the moment and we are trying to put it in order; that requires oil, among other things.

PETROLEUM REQUIREMENTS FOR ICELAND

The CHAIRMAN. For Iceland there seems to be a very large increase over prewar, although there is no increase over the current year.

Mr. LEVY. The reason for that, Mr. Chairman, is that the fishing fleet in Iceland developed greatly during the war. Herring processing plants were constructed, based on oil, and there is a new power plant in Iceland which is dependent on oil. That explains the increase over 1938; also increased needs for bunkers.

PETROLEUM REQUIREMENTS FOR IRELAND

The CHAIRMAN. You have an item here for Ireland. I do not know why the ECA should have to finance petroleum for them. I do not understand that.

Mr. MAHON. Who does?

Mr. NITZE. That is related in the over-all balance of payments position of Ireland, and the fact that Ireland's exports to the Western Hemisphere are small. Her exports go largely to the United Kingdom, but her import requirements from the Western Hemisphere are quite large. Ireland is in the same vise that Denmark is in. Feedstuffs are insufficient and high priced for an animal agricultural economy, where these items are of large importance.

Ireland's over-all balance-of-payments position is bad and her balance-of-payment situation with the Western Hemisphere is particularly bad. As Mr. Lovett explained the other day, this is also related to the point that Congressman Keefe raised as to convertibility of currencies.

Mr. WIGGLESWORTH. Why do we have to step it up so substantially not only with respect to prewar but with respect to 1947?

Mr. LEVY. Mr. Congressman, I mentioned, yesterday, the 350,000 import figure for 1947 was——

Mr. WIGGLESWORTH. That might be $450,000?

Mr. LEVY. Yes.

Mr. WIGGLESWORTH. But as compared with that you are suggesting going to 571,000 in 1948–49.

Mr. LEVY. There is one further fact. These figures for imports and domestic production do not include stock withdrawals. During the second half of 1947 imports fell short of requirements and stocks of petroleum products in Ireland were drawn down. Actual consumption in Ireland in 1947 was 669,000 tons.

Mr. WIGGLESWORTH. You mean this represents an actual cut?

Mr. LEVY. I am sorry, sir—the figure is 537,000 tons. The consumption in Ireland in 1947 amounted to 537,000 tons. To the extent that they could not cover their requirements from imports they had to draw on stocks and these stocks we understand are down to a very dangerously low level.

Mr. WIGGLESWORTH. I notice in the 1948–49 figure of 1,000 metric tons; is that stocks on hand?

Mr. LEVY. No, that would be alcohol or benzol production.

Mr. WIGGLESWORTH. Something that they produce?

Mr. LEVY. Something that they produce. Stocks do not appear in these statistics. In some countries stock withdrawals of petroleum products during 1947 were very serious, indeed, because of the insufficiency of imports.

Mr. WIGGLESWORTH. Are there any further questions on Ireland?

Mr. KEEFE. You are going into the question solely of the petroleum situation now?

Mr. WIGGLESWORTH. Yes.

PETROLEUM REQUIREMENTS FOR ITALY

The next petroleum item is for Italy, where it is suggested that ECA contribute 2,091,000 metric tons, bringing the available supply for 1948–49 to 4,502,000 tons, or about double prewar and about 16 to 17 percent above the year 1947.

Mr. LEVY. In Italy we had a special situation. Italy received, as you know, usually about 12 to 13 million tons of coal from Germany. These coal shipments of course have been seriously reduced. To maintain Italian industry, especially in these very important areas of northern Italy, it was necessary for many industries to use oil instead of coal, which was not available. That was a very important part of the program of keeping Italian industry alive and active.

Mr. KEEFE. Where did they get the oil-burning equipment with which to make the conversion?

Mr. LEVY. I should think most of it was produced in Italy itself. In most cases it is not too complicated a procedure.

The other factors are, of course, again—what is a general factor, in fact—our surplus equipment left in Europe, such as trucks, tractors, railways, all of which is oil-using equipment. That equipment was available to some extent to the Italian economy.

Mr. WIGGLESWORTH. When was that conversion made?

Mr. LEVY. Most of it was made in 1947, I would say, and in view of the figures we have put into this report, no large-scale further conversion could be made, because the consumption rate in Italy at the end of the year 1947 was probably higher than the average for 1947.

Mr. WIGGLESWORTH. Does that mean that the conversion results in an increase, roughly, of 16 percent in requirements for petroleum products?

Mr. LEVY. I would say probably more, Mr. Congressman, because part of the increase in 1947 and 1946 is due to the same factor. If we wanted to keep Italian industry going, they had to have fuel and the fuel was available from middle eastern fields to a considerable extent, close by or reasonably close by.

Mr. WIGGLESWORTH. The conversion has been, in fact, made and about 100 percent made, you say?

Mr. LEVY. Not of all industries.

Mr. WIGGLESWORTH. I mean all that can be made.

Mr. LEVY. I would say "No." They have had plans to continue conversion at a reasonably high level but, because of the shortage of oil, world-wide, the estimates presented here would make it impossible for them to continue large-scale conversion of new industries from coal to oil.

Mr. WIGGLESWORTH. That is the fundamental explanation for the increase, conversion?

Mr. LEVY. Conversion and——

(Off record discussion.)

Mr. KEEFE. What you have said is a good statement of good intentions.

But we are dealing, as I expressed yesterday, between sovereignties, and this Nation as a sovereignty cannot impose its will upon another sovereignty, except through a bit of pressure of suggestion by saying: We are sorry, my friends; unless you adopt legislation within your country that will provide for the restrictions in the use of gasoline or petroleum products we will have to cut down on the requirements.

But in any event, when we ship petroleum products to that country it is based upon what you conceive to be their minimum requirements and if they have no legislation that restricts its use they can still go out and use it in an unrestricted manner.

Mr. BALL. So far as they can get it, yes.

Mr. LEVY. That is the pinch.

Mr. BALL. That is where you get the leverage; if we do not supply the oil they cannot use it.

Mr. MAHON. Let me interrupt for a question if I may, Mr. Keefe?

DISCUSSION OF PETROLEUM REQUIREMENTS OF SWITZERLAND AND PORTUGAL

Certainly we would not furnish, through the Economic Cooperation Act, money for Switzerland to buy petroleum; I presume that is not contemplated?

Mr. LEVY. No.

The CHAIRMAN. There is nothing contemplated for Switzerland at all is there now?

Mr. LEVY. No, not ECA. But the petroleum arises from the estimate of Swiss requirements of petroleum, because the Swiss estimate for petroleum requirements, as submitted by Switzerland, amounts, for 1948, to over a million tons.

Mr. KEEFE. And you have to give consideration to the requirements of Switzerland and Portugal, for instance, out of the over-all pool.

Mr. LEVY. Exactly.

Mr. KEEFE. Of available petroleum products?

Mr. LEVY. Yes.

Mr. KEEFE. And while they will pay for the products which they get themselves, and no ECA funds are utilized for that purpose, in order that you may properly allocate the available supply to the other nations that we will supply, you have got to give consideration to the over-all requirements of all the nations, whether they are actually the beneficiaries of the ECA or not; is that not correct?

Mr. LEVY. That is absolutely correct.

Mr. MAHON. I want to get this point in the record: Switzerland boasts of the fact that tourists have ample supplies of gasoline, and, of course, they want to attract all of the tourists they can from our Nation and elsewhere. Are you going to operate this thing in such a way as to deny Switzerland the opportunity to buy, with good hard dollars, petroleum products where they want to buy them?

Mr. BALL. So far as buying in the United States is concerned; yes.

Mr. MAHON. In other words, you are going to decline to sell, for good dollars, petroleum products to Switzerland in order to give the products away to the other countries in this effort to promote economic stability.

Mr. BALL. That is the way it works, so far as exports from the United States are concerned; we can only stand so much export.

Mr. MAHON. Yes.

Mr. BALL. Without creating a shortage in the United States.

Mr. MAHON. Yes.

Mr. BALL. And the export line presumably will be based on the needs—the minimum needs—because there is not petroleum, world-wide; enough to supply more than the minimum needs of any country.

Mr. KEEFE. You can dress that situation up in any kind of clothes you want to, but, in my opinion, Mr. Mahon has stated the actual, realistic, stark-naked facts of the thing; that is what it comes down to; because of the availability, in the over-all picture, of the total supply of petroleum products, world-wide, you simply say, "We have got so much petroleum products we can furnish to Italy, to France, to Belgium, and so on, and those petroleum products we are going to give so much to them, and we are sorry, Mr. Swiss Government, while you are willing to pay for petroleum products by hard dollars, we cannot give you the amount you want because in its relationship to the total supply the amount is not available."

Mr. BALL. Well, let us say they cannot buy it from the United States.

Mr. KEEFE. Of course, that is what I am referring to. They can buy it from any other place they can get it, but if they do buy it at other places they are in effect, to that extent, tearing down the over-all world picure on which the whole program is based.

Mr. BALL. Yes.

Mr. KEEFE. In other words, the picture would be affected by the amount that they were able to buy out of other sources of supply, utilizing their own dollars. That is the situation.

Mr. BALL. That is correct.

Mr. KEEFE. So you have got it right straight down, Mr. Mahon, in simple terms that we can all understand—I think I understand it; I do not know that I understand too much about the whole thing.

Mr. MAHON. I was a little surprised at the domestic production of petroleum.

Mr. LEVY. In Italy?

Mr. MAHON. In Italy.

Mr. LEVY. They have an oil field in the Po Valley, and they are doing their best to develop it and to further increase their own supply.

PETROLEUM REQUIREMENTS FOR THE NETHERLANDS

Mr. WIGGLESWORTH. The next item seems to be the Netherlands, where the ECA is going to put up 950,000 metric tons to provide an available supply of 2,501,000 tons, compared with 1,610,000 prewar, and about 2,656,000 in 1947. That looks like the supply is decreased as compared with 1947.

Mr. LEVY. That is correct.

Mr. WIGGLESWORTH. Although the over-all amount will be something like 50 percent more than the prewar available supply. Why the increase as compared with prewar?

Mr. LEVY. One factor is bunker needs for fuel oil in Holland, which have been estimated to amount to 340,000 to 350,000 tons, 1947–48, compared with about 250,000 tons in 1938.

In addition to that, the Dutch economy is the one economy in Europe where kerosene is very widely used for lighting and heating, and also in hothouses.

Mr. KEEFE. What product did you refer to?

Mr. LEVY. The use of kerosene in hothouses. In addition, petroleum is needed for commercial transportation in Holland, and for inland water transportation which is more important even than railroads.

They are depending on supplies of oil for those uses, and they account for most of the increase between 1938 and 1947.

If we had brought the 1948 consumption down to the 1938 level, ignoring the fact that 1947 consumption was 50 percent higher than 1938, we would, I think, have done great harm to the Dutch economy and recovery program. We did not increase 1948 consumption over 1947, in fact, reduced it a little.

Mr. WIGGLESWORTH. I notice the domestic production is increasing. Is that independent of Holland?

Mr. LEVY. No; it is domestic production in Holland, of an oil field which was discovered during the war. The Dutch were successful in keeping production during the war down because at that time it would have benefited the Germans.

Mr. STEFAN. Where is that field located?

Mr. LEVY. It is located at Goevorden, near the Dutch-German border. Those wells seem to be, and probably will be very important as a source of supply to Holland.

Mr. STEFAN. Is the supply of 209,000 metric tons now from that particular field; is that where it comes from?

Mr. LEVY. Yes.

Mr. STEFAN. How many wells do they have; are they flowing wells or on the pump?

Mr. LEVY. It is a new field—and I think they have free-flowing wells.

Mr. STEFAN. I see. What is the production?

Mr. LEVY. Of course, compared with our fields it is fairly small but for a country like Holland it is very important.

Mr. BALL. It furnishes about 4,000 barrels a day.

Mr. WIGGLESWORTH. You say 4,000 barrels a day?

Mr. LEVY. Yes. And it will possibly go up to about 6,000 or 8,000 barrels a day.

Mr. WIGGLESWORTH. On that basis it is equivalent of 209,000 metric tons?

Mr. LEVY. Four thousand barrels a day is the equivalent of approximately 200,000 metric tons.

Mr. BALL. If you multiply the metric tons by 20 you will come out with the barrels per day.

Mr. KEEFE. Just multiply the metric tons by 20 and get the barrels per day?

Mr. LEVY. No; divide the metric tons by 50.

The CHAIRMAN. I did not suppose anybody who worked on this program had any idea of division.

Mr. WIGGLESWORTH. You divide the metric tons by 50?

Mr. LEVY. The 200,000 tons per year divided by 50 will come out to 4,000 barrels a day.

PETROLEUM REQUIREMENTS FOR NORWAY

The CHAIRMAN. The next one is Norway, and there seems to be a proposal to finance 378,000 tons of petroleum out of the total imports of 991,000, which is just below the 1947 figure, about 40,000 tons.

Why do we need to finance the petroleum supply to that figure?

Mr. LEVY. If I may answer from the oil point of view, the reason for it is that the Norwegian economy draws oil from sources controlled by American companies in the Western Hemisphere, for which they have to pay dollars.

Now on the balance-of-payment aspect of this question I would not be able to testify.

The CHAIRMAN. Will they need as much as that? It is about double; over double; 60 percent more than prewar.

Mr. LEVY. That is correct.

The CHAIRMAN. Why do they need so much?

Mr. LEVY. For Norway the important factor is bunker oil for shipping. As I pointed out before, the oil-burning fleet, requiring a large bunker-oil supply, will account for an appreciable part of this increase.

Mr. WIGGLESWORTH. It is bigger than prewar.

The CHAIRMAN. Yes; 60 percent.

Mr. WIGGLESWORTH. What is the comparison of ships?

Mr. Levy. The oil-using tonnage of the world amounted to 37,000,000 gross tons in 1938, as compared with 61,000,000,000 gross tons now.

The Chairman. The prewar coal picture for consumption and available supply for the 1949 proposal indicates that they are not economizing any on the coal with the elimination of coal-burning ships. They do not have the tonnage of ships that they had prewar, do they?

Mr. Levy. I think they are nearly back to it; as far as I know——

The Chairman. Even so, there should be some drop in the coal sumption as their oil consumption is going up.

Mr. Levy. Ordinarily that would certainly be correct, but there is this other factor, and I am not so sure, but the practice, so far as coal bunkering is concerned in comparison with the oil bunkering, might have been that many ships going to Norway were bunkering coal in England for the return trip.

The Chairman. The coal picture in Britain is export, and probably they would be able to continue that.

Mr. Levy. Yes.

Mr. Ball. Except they do not have the coal-burning ships to bunker any more.

The Chairman. If they were using coal for that purpose the natural voyage for a good many of them would be to Britain.

Mr. Stefan. What has been the percentage turn-over; that is, the percentage of conversion from coal to oil?

Mr. Levy. In ships?

Mr. Stefan. In ships; yes.

Mr. Levy. You mean Norway or the world tonnage?

Mr. Stefan. No; I mean Norway.

Mr. Levy. In Norway itself. I do not have the figures for Norway, but my guess would be that most of the ships of Norway are oil burning; a large part of them are tankers, which are oil burning.

Mr. Stefan. When did that conversion take place, the largest part of the conversion?

Mr. Levy. It was not a conversion; this was new construction.

Mr. Stefan. It was connected with the construction of new ships.

Mr. Levy. These are replacements of ships lost during the war.

Mr. Stefan. It is not conversion but replacement?

Mr. Levy. Yes.

Mr. Stefan. And they require additional petroleum.

Mr. Levy. In addition, of course. Norwegian industry uses a certain amount of oil because it could not obtain enough coal; the change took place in 1946 and 1947 when coal was very scarce, indeed.

Mr. Keefe. Norway is a maritime nation?

Mr. Levy. Yes.

Mr. Keefe. And its economy is very closely allied with the maritime industry?

Mr. Levy. Yes.

Mr. Keefe. And prior to the war they had a very large and substantial maritime shipping, and they operated it throughout the war. They lost a large portion of it, as I recall, their ships in the war.

Now what interests me as a layman in this matter is this: We are making available to Norway dollars to purchase oil—and that is what it amounts to, is it not?

Now here is a Norwegian ship that goes on a cruise around the world; it bunkers with oil at a large number of stops, at sundry ports in sailing the seven seas; it has to be refueled here and there and everywhere. That oil is then purchased in India, in Malay, or at some other place—Shanghai or Honolulu. Are the dollars that we are making available to Norway going to accomplish that?

Mr. LEVY. No, Mr. Congressman. The bunker requirements included with the various countries' estimates, refer to the bunker sales in those countries only. That means if a British ship goes to Norway and bunkers there the bunkers needed for that purpose are included in Norway's requirements.

If a Norwegian ship goes to England and bunkers in England those requirements are not included in the figures for Norway but in those for the the U. K. It was not possible, statistically, to deal with the problem in any different manner. That means that the bunker figures for Norway include the bunker needs of all ships of all flags bunkering in Norway, and only those requirements and nothing more.

Mr. KEEFE. They do not make any provision for providing oil in any other parts of the world for Norwegian ships.

Mr. LEVY. That is correct; they do not.

Mr. KEEFE. And the same would apply to all other nations?

Mr. LEVY. That is correct.

Mr. KEEFE. They have got to make their own arrangements, to provide for oil in the various other ports where they may go; is that right?

Mr. LEVY. That is correct. For instance, the needs of an American ship going to a Norwegian port and bunkering oil there are included in the bunker needs of Norway.

Mr. KEEFE. If a Norwegian ship went to a Norwegian port and required oil——

Mr. LEVY. Yes.

Mr. KEEFE. The bunker supply is figured for Norway.

Mr. LEVY. Yes.

Mr. KEEFE. And are bunkered with oil, sent over in ships, which we provide to Norway as a gift through the ECA funds.

Mr. LEVY. That may be correct.

Mr. KEEFE. An American ship would be expected to pay for that oil, would it not?

Mr. LEVY. It certainly would, probably in Norwegian currency, or probably in dollars, the same as other ships, depending upon——

Mr. KEEFE. So the distribution of the oil in each country, after we put the oil there, is put through their natural channels of commerce?

Mr. LEVY. Yes.

Mr. KEEFE. And if we get oil to Norway in sufficient quantities to enable her to bunker the ships and to provide the other activities, then that oil which we give her is in turn sold back to the American ships——

Mr. LEVY. That may happen.

Mr. KEEFE. And the oil that the American ship is helping to pay for to furnish the oil at the very place in Norway, has got to buy there to get it; is that the answer?

Mr. LEVY. That may happen in this particular case. We have been very much aware that we could not make a distinction between ships

of participating countries bunkering in Norway and those of nonparticipating countries.

Mr. CASE. As a matter of fact, is that not very helpful to the program of giving away dollars? It is a way to give away two instead of one.

Mr. LEVY. It depends, Congressman, upon the question in what currency American ships pay for bunkers in Norway. It is possible that if an American ship bunkers in the United Kingdom, it pays in pounds sterling, in spite of the fact that the United Kingdom will obtain that oil from the United States for dollars.

Mr. KEEFE. For bunkering ships.

Mr. LEVY. Yes. We would then have a situation where an American ship, which will bunker in the United Kingdom and pay for the bunkers in pounds sterling will obtain oil for which the British in turn would have to pay the American supplier in dollars.

Mr. KEEFE. Pay it in dollars, dollars which we have made available.

Mr. LEVY. Possibly in dollars, or if on a loan——

Mr. CASE (interposing). Is there any move to do that?

Mr. NITZE. I think the distinction we have been drawing between grants and loans for the supply of commodities is based on how much we can give them on the one hand, and the balance of payment position on the other.

Certainly from the standpoint of how much oil, in quantity, Norway needs our calculations have to include the oil that is shipped there for use in bunkering for any nationals which go there and take away oil.

Mr. KEEFE. Let us get this down where I can understand it, and maybe a few other citizens in the country will be able to understand it.

Mr. NITZE. It relates to the over-all question of balance of payment.

Mr. KEEFE. I guess you can understand the question of the balance of payment; I confess that I do not know too much about it; I have not been educated enough to reach that point, but I hope to be before we get through.

If we will stick to the over-all picture, I think I can understand that, as it relates to the petroleum products and oil.

Now then in this specific situation we are to furnish, out of the world pool of oil, to this participating country, Norway, the amount of oil which your statisticians and others have figured out we can safely give to Norway to provide for her normal requirements of oil; some of that oil she is going to pay for herself; some of the oil we are going to give to her as a gift. And all that she pays for and all that is given to her moves into the channels of trade in Norway, and in that we are making a transaction with the Government of Norway, and the Government of Norway then takes that oil and sees that it goes through the normal channels of trade; it will go into storage tanks, for bunkering ships, and what not.

Mr. MAHON. And the private Norwegian companies pay for some of it.

Mr. KEEFE. And the private Norwegian companies they do business with pay for that oil to the Government of Norway. The price paid for that oil is fixed by the Government of Norway; whatever the Government of Norway decides they are going to charge for that oil the

Government of Norway fixes the price, and not the Government of the United States. That is true, is it not?

One gentleman shakes his head "Yes" and the other "No." Now what is the right answer?

Mr. BALL. I think we ought to have Mr. Nitze discuss that question, since it involves more a question in connection with the rehabilitation of their economy.

Mr. KEEFE. What is the answer, Mr. Nitze; the gentleman over here shook his head yes.

Mr. NITZE. In the first place the total ECA-financed shipments in this column include, as was explained previously, the shipments that may be financed either by loan or by grant.

Mr. KEEFE. I think I understand that, that a part of it may be by loan and a part may be paid for.

Mr. NITZE. That is correct.

Mr. KEEFE. By dollar exchange or something else.

Mr. NITZE. Part of the 991,000 tons to Norway might be paid for out of earnings of Norway.

Mr. KEEFE. Yes.

Mr. NITZE. But getting back to the 378,000-ton figure; this might be financed through ECA sources by loans, or it might be financed by grants, or both.

And, it is the hope that the Administrator will be able to work out the technique whereby the actual procurement would be by the private concerns over there and the private suppliers concerned——

Mr. KEEFE. So we are getting into an entirely different situation.

Mr. NITZE.The local currency equivalent of any oil furnished by grant to the Norwegian Government would be paid into the special account called for under the act. Private concerns in Norway buying the oil would pay local currency to the Norwegian Government.

Mr. MAHON. You would do that to stimulate business in the regular channels of trade.

Mr. NITZE. That is correct.

Mr. KEEFE. I think I am familiar with that provision of the act, but the net result is the same in either event. Of course we have other types of oil going to Norway out of this country.

Mr. NITZE. And it is almost impossible to trace through the individual barrels of oil.

Mr. KEEFE. Of course you cannot do that; it is mixed up; a part of it may be oil that is going to be paid for; a part of it may be oil that will be given to her, or a part of it may be oil that is going to be paid for in some other manner.

Mr. NITZE. That is right.

Mr. KEEFE. It is like wheat that is mixed in an elevator; you cannot distinguish between wheat from one source or another; I realize that.

Mr. NITZE. There are some commodities you can trace, but with oil it is very difficult.

Mr. KEEFE. Well, let us stick to oil for the moment. The oil that is going for bunker is mixed with other oil, so far as the payments are concerned, but so far as the ECA program is concerned, we are proposing to give a certain amount of oil as a direct gift to the Government of Norway to rehabilitate its economy; is that not true?

Mr. NITZE. That is correct.

Mr. KEEFE. And they are proposing to buy certain oil out of their available ability to purchase, out of the total world's supply of petroleum that is available and has been allotted back to her. Is that true?

Mr. NITZE. That is correct.

Mr. KEEFE. And there may be a tanker loaded with oil, with so many barrels of oil aboard the tanker consigned to Norway, or some port in Norway, for delivery under this program, and you cannot identify that portion in the tanker that is given from that portion which is to be paid for; it is all in one tanker and it goes over there and enters into the channels of trade in Norway as one shipment of oil. Now I can understand that.

Now the oil situation is that the Norwegian Government handles the disposition of that oil through its own orderly channels of distribution. If there are oil companies that maintain bunkers there I suppose they can purchase that oil from the Norwegian Government, or it may be that a part of this oil is oil that has been purchased by a company direct in Norway from a company here in America, that in turn mixes that oil with the oil that is given. Is that true?

Mr. NITZE. That is correct.

Mr. KEEFE. Now in any event it goes into the bunkering oil for disposal to ships, or into its general economy, and the portion which we have given them is subject to price control and regulations adopted by the Government of Norway, is it not; they fix the price at which that oil shall be sold; is that correct?

Mr. NITZE. That relates to the previous question, and the answer I have given is that it was hoped that the administrator would work out that technique whereby the transaction could be made directly between the private oil company in Norway and the supplying oil company, and then the financial part of the transaction would be handled so as not to destroy the normal channels of trade, but to merely cover the financial aspects of the question.

Mr. KEEFE. As I have understood all of these programs up to date they have been based on sovereignty dealing with another sovereignty, so far as the relief programs are concerned. Now this is a recovery program, and I should suppose, under the very provisions of the act itself, that a program will be worked out wherein there may be direct dealing, insofar as posisble, between companies over there and companies over here that will enable them to maintain and build up their normal processes of trade relationship. I understand that. But insofar as there is a certain amount of oil—and we are talking only about oil—that is going to be shipped to the participating companies as a gift from this country to the participating countries, the participating countries that are signatories to this agreement have control, at least, that oil, do they not, and can fix the price at which it will be sold either to nationals of Norway or to the captain of a vessel that needs bunkering in a Norwegian port.

Mr. NITZE. That depends upon the law of the individual country concerned. It is not necessary that the Norwegian Government fix any price on this oil. The transaction between the Norwegian company and the supply company can go forward in the normal manner of private trade.

Mr. KEEFE. Well, if the Norwegian economy is going to be rehabilitated by our gifts she must make some money out of this transaction,

and how is she going to make any earnings that amount to anything if she simply sells all of this gift oil in the normal channels of distribution? I thought that was one of the fundamental bases of the whole program?

Mr. NITZE. Well, the Norwegian company would turn over to the Norwegian Government local currency in the equivalent of the cost of the oil.

Mr. KEEFE. Well, is that not just another way of saying the same thing?

Mr. NITZE. But it does involve the price question which you raised.

Mr. KEEFE. Does Norway have a price-control system?

Mr. NITZE. I would have to supply the information concerning any Norwegian system of price regulation.

Mr. KEEFE. I know Italy has; they had a price control and ration in England, and they had in France, and I would assume that they would have in Norway; maybe not.

Mr. CASE. Did I understand you to say that the Norwegian company would turn over the local currency to the Norwegian Government?

Mr. NITZE. Local currency would be deposited in the special account provided by the act, which would not be at the disposal of the local government, except under agreement with the Administrator.

Mr. CASE. Perhaps we are getting just a little way from the immediate subject of petroleum, but let us use that as an illustration, since we are talking about petroleum, to the extent that the Government of Norway gets dollars out of its development.

Now, you say that this local currency is turned over to the Government of Norway and first it goes into a special fund. Now, what are the purposes for which that fund may be expended?

Mr. NITZE. I believe, Mr. Henderson, can refer you to the provisions of the act.

Mr. HENDERSON. Yes.

Mr. KEEFE. What is the section of the act, Mr. Henderson?

Mr. HENDERSON. Section 115 (b), paragraph 6.

Mr. NITZE. In effect the local Norwegian company would buy the dollars, foreign exchange, which are necessary to pay to the American company supplying the oil.

Mr. CASE. Does the Government of Norway collect a tax on the sale of the petroleum?

Mr. NITZE. That is a detail we should have to furnish to you, Mr. Case. I am not sure what the particular tax provisions in Norway are.

Mr. STEFAN. It is their property and is subject to a tax, is it not?

Mr. NITZE. It is the property of the local Norwegian oil company, in this illustration, and we are concerned merely with the financial aspect of the transaction between the governments.

Mr. STEFAN. And is subject to local taxes.

Mr. NITZE. It would be subject to the normal local taxes.

Mr. KEEFE. The first person to purchase the oil, in the illustration which we have used, and the amount which he pays for that oil in local currency in Norway, would be deposited in this special account.

Mr. NITZE. That is correct.

Mr. KEEFE. Which would be subject to expenditure in accordance with the terms of the act by agreement between the Administrator and the Government of Norway and for the purposes specified in this act, subsection 6 of section 115.

Mr. STEFAN. I was told in that connection that where the oil has been sold, the money that was paid for the oil itself, or the commodity other than oil, goes into the special fund, but they might tax it. I may be in error, but that was the statement that came to me.

Mr. NITZE. I think it is subject to local taxes.

Mr. HENDERSON. I believe that is correct.

DISCUSSION OF LOCAL CURRENCY FUNDS

Mr. CASE. As I understand it the Government first gets cash for the oil, and then it sells that oil to dealers and gets the money which it puts into the local currency fund—and I hope it will be developed more fully what is done in the administration of the fund—and in addition to that it gets the benefit of the oil and then it gets a tax on the sale of the oil.

Mr. LEVY. I believe that is correct.

Mr. NITZE. Yes.

Mr. CASE. Does this differ with the currency fund agreement we have with France and Italy, or does it follow the provisions of the act providing for the local currency agreement with France and Italy?

Mr. NITZE. I believe it follows it closely.

Mr. CASE. The first thing that the local currency fund can be used for—and if I am not correct will you please correct me—the first thing it may be used for is administrative expenses of ECA within the country?

Mr. NITZE. That is correct, sir.

Mr. CASE. Then, after we take out the administrative expense, the balance of it may be expended in this and that country for purposes agreed upon with the Administrator or for the retirement of the national debt of the country. Is that correct?

Mr. HENDERSON. For purposes of international monetary and financial stabilization, which is a little broader.

Mr. NITZE. The House report lists these uses, if you would like me to read them.

Mr. CASE. Let me follow this through for just a moment.

To the extent it is used for the retirement of the national debt of the country, it is the same as if they had some money in their treasury and reduced their debt thereby, is it not?

Mr. HENDERSON. Yes, sir.

Mr. CASE. And to the extent it is used for the liquidation of their native currency, it would be just as if they had used some gold reserve or something else so that they could take up some of their issued currency. Is not that right?

Mr. HENDERSON. That is right.

Mr. CASE. And is just as much benefit as if it went into their treasury?

Mr. HENDERSON. That is right.

Mr. CASE. For what other purposes can it be used?

Mr. NITZE. The statute reads:

shall be held or used within such country for such purposes as may be agreed to between such country and the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems, and the Public Advisory Board provided for in section 107 (a).

That is the Public Advisory Board created by the act.

Mr. CASE. Does not that follow the language of the act which provided for interim aid?

Mr. NITZE. In general, it does, except there was no advisory board.

Mr. CASE. In the case of interim aid, the agreement was that which was made with France and Italy was incorporated in substantial fashion.

Mr. NITZE. This language goes on to say—

for purposes of internal monetary and financial stabilization, for the stimulation of productive activity and the exploration for and development of new sources of wealth, or for such other expenditures as may be consistent with the purposes of this title, including local currency administrative expenditures of the United States incident to operations under this title.

Mr. CASE. Will you put in the record at this point, so that we will have it for convenient reference, the portion of the agreement with France and the portion of the agreement with Italy that covered this particular thing of the agreement made between the Administrator and those Governments?

Mr. NITZE. Those agreements were supplied to the committee yesterday.

Mr. CASE. Are they in the record?

The CLERK. They have been inserted in the record.

Mr. KEEFE. Am I correct in the assumption that Public Law 472, under which this program now proposes to operate with respect to the specific question we now have before us, contemplates that the unencumbered portions of any deposits which may have been made to this fund which was set up under Public Law 389 of the Eightieth Congress, shall likewise be subject and be incorporated into this overall picture?

Mr. SURREY. That is correct. Under the previous law, the unencumbered balances remaining at the expiration date of the legislation cannot be disposed of except by agreement between the two countries, which agreement was subject to the approval of this Congress. This act provides that those unencumbered balances shall be merged with the balances that arise out of this act and be disposed of in the same manner. That was agreed to by Congress and would be a provision of the bilateral agreement.

Mr. CASE. Now, the interim-aid bill provided that the balances that were existing after June 30, 1948, would be subject to agreement. Is there a comparable date line on the time when Congress will have a voice?

Mr. HENDERSON. June 30, 1952.

Mr. CASE. In other words, anything that can be spent before June 30, 1952, will not be subject to review by Congress?

Mr. SURREY. Will have to be spent consistent with the provisions of the act.

Mr. HENDERSON. And by agreement with the Administrator.

Mr. CASE. As an illustration of the type of agreement this provides, I would like to place in the record paragraphs 1, 2, and 3 of section 1 of the annex of the agreement between the Government of the United States and the Government of France and the agreement between the United States of America and Italy, paragraphs 2 and 3 of section 1 of the annex. Incidentally, on this photostatic copy, what is obviously paragraph 3 is misnumbered as the second paragraph, but

it would be paragraph 2 with subparagraphs (a) and (b) and what is obviously paragraph 3.

The CHAIRMAN. I think it is desirable that that be in the record somewhere.

(The matter referred to may be found on pp. 84–88.)

PETROLEUM REQUIREMENTS FOR SWEDEN

The CHAIRMAN. The next one is Sweden. They are being set up for a 2,100,000-ton consumption as against prewar of 1,340,000 and a 1947 figure of 3,387,000. And there are 172,500 tons in this ERP business. Why? I notice you have cut them down from this year's consumption, but why would there be any ECA figure in there?

Mr. LEVY. That, again, is related to the balance of payments rather than to the petroleum figure.

The CHAIRMAN. But they ought to be able to take care of whatever they need. Those people are not too bad off.

Mr. NITZE. That does relate to the balance of payment situation of Sweden, and the current status of their gold and dollar holdings. My recollection is that these have declined during the course of the year from something of the order of $600,000,000 to something of the order of $100,000,000.

I wonder whether the chairman would not prefer to take that up a little later.

The CHAIRMAN. All right. We will take that up later.

PETROLEUM REQUIREMENTS FOR UNITED KINGDOM

The CHAIRMAN. The United Kingdom is the next one, page 30. There seems to be nothing for Switzerland, and Switzerland seems to have been cut down some, but perhaps not as much as we will have to cut her down later. And there seems to be nothing for Turkey in the ERP, although their imports are set up as larger than the 1947 figure.

The United Kingdom is set up to have an increase over the 1947 figure of about 1.5 million metric tons. That sounds like a pretty big figure along with the prewar of about one-half of what they seem to be set up for now. Why would that be?

Mr. LEVY. The reasons for the United Kingdom increase in requirements are manyfold. The important reasons, if I may list them, probably not in order of importance are first higher bunkers needs. Great Britain is a shipping nation, and they have experienced an increase in their oil-burning fleet. Secondly, during the war, Great Britain developed a large agricultural production, and to do so they increased the number of tractors, even during the war, by a very, very considerable figure. The number of tractors in 1948 in Great Britain is probably three to four times the number before the war. So that the agricultural consumption of petroleum products, which was of moderate importance in 1938, is now of reasonably large importance in the total picture.

Another factor is the number of trucks in Great Britain which has gone up during the war and has continued to go up in 1947, so that their number in 1947 is about 15 to 20 percent above the prewar level. And

the trucks, again, are heavier and older, to a considerable extent at least, and need more oil per unit.

The CHAIRMAN. Does that mean there are less burden animals?

Mr. LEVY. I think it does.

Mr. NITZE. Right on that point, Mr. Chairman, the United Kingdom, during the war, greatly increased its agricultural production because of the shortage of shipping and the pressure on England to get for themselves a greater degree of self-sufficiency of food. I think you will find on the preceding page, with respect to the grain figure, that England's production of grain has gone up from 4,521,000 tons prewar to an estimate of almost 8,000,000 tons in 1948–49. I think there has been a large increase in the acreage devoted to agriculture.

The CHAIRMAN. The domestic production of coarse grains and bread grains—mostly coarse grains—shows an over-all of 6,300,000 tons for 1947 as against 7,300,000 tons for the 1946 crops.

Mr. NITZE. That was in part due to the bad weather in 1947–48.

The CHAIRMAN. I appreciate that. The fact is it is a larger figure on the coarse grains, and on the bread grains it is just about the same as prewar. But the 1948 figure you are estimating at an increase of about 1,700,000 tons, which would be, maybe, 70,000,000 bushels. That is quite a large increase, of course.

Mr. MALENBAUM. In general, I think the United Kingdom provided about one-third of its calories before the war and is providing almost two-thirds of them now. I think the Department of Agriculture can testify on that in detail, but there has been a very large increase.

The CHAIRMAN. You say they are providing how much now?

Mr. MALENBAUM. About two-thirds of its calories.

The CHAIRMAN. They show just about one-half of their consumption.

Mr. NITZE. Potatoes are not included in those figures, because they do not import potatoes, and potatoes are a heavy item in calories.

The CHAIRMAN. They never did, did they, except Ireland did?

Mr. NITZE. I believe not; but I believe today they do grow substantially more. That is one of the factors which brings about the situation Mr. Malenbaum has described.

The CHAIRMAN. That about concludes on the oil picture. The only thing about the German picture—I will ask Mr. Collier to provide me with a consolidated statement of this bizonal business and that you have it in here with the matter we have reviewed in connection with the $822,000,000 proposition so that we can see the picture in a little better shape. I do not know whether we ought to go into that before we have view of the whole thing or not, but we might try on this particular item.

Mr. CASE. Before we get too far away from the United Kingdom, I did have one question. That was whether or not Mr. Levy could give us a break-down to show the source of the need for this petroleum in England as distinguished between the amount required for bunkerage of ships, the amount for agricultural production, and the amount for other types of industrial use, and the amount for domestic heating.

Mr. LEVY. We have received from the British a statement-of-use break-down of their requirements for the 4-year period and in particular for 1947 and 1948. We can put that statement into the record.

Mr. CASE. The thing I would like to learn from that—and I hope

the data will be so arranged that I can—is whether or not there has been any conversion from coal-burning equipment industrially in England to oil-burning equipment.

Mr. LEVY. In 1946 and 1947 a sizable conversion took place in England. They had had a very ambitious program for conversion from coal to oil on a very large scale for 1948 and 1949. At the end of 1947, because of the world-wide shortage of oil, the Ministry of Fuel and Power in England decreed that subject to a review of the fuel oil supply position no further conversions should take place.

Mr. STEFAN. What year was that?

Mr. LEVY. At the end of 1947, in December 1947. The conversions which had already taken place, of course, were not interfered with.

Mr. CASE. These figures you are going to get—will they show the amount of conversion during that 4-year period?

Mr. LEVY. The figures I am going to give you will show the actual 1947 picture, as well as we can get it, and will also show the 1948 plans of the British. According to these plans they intended to increase their oil requirements in 1948 by nearly 3,000,000 more than are allocated to them under this program.

Mr. CASE. When you say "they planned," you mean that is what they proposed at the Paris Conference?

Mr. LEVY. That is what they proposed at the Paris Conference. Now, we have cut the British estimates back. They asked for 1948 for a supply of 21.6 million tons to cover their requirements, and the figures put into the report, as you see, are 18.7 million tons. The difference between those two figures of 21.6 requested by the British and 18.7 put into the program is largely explained by our refusal to go along with the coal-oil conversion program.

Mr. CASE. Of course, that still gives them an increase of about 80 percent over their oil consumption prewar.

Mr. LEVY. That gives them an increase over oil consumption prewar, but British petroleum consumption has been increasing, even in the war years.

Mr. CASE. I recognize that. And to the extent it is affected by this bunker situation which you have gone into, it could be explained, but it is difficult to justify conversion from coal to oil in the domestic industry or for domestic heating in England, when, if England has anything in the world to produce and export, it is coal. And certainly there can be no justification for the United States financing conversion from coal to oil in the British Isles.

Mr. LEVY. This very fact explains the difference between what the British requested and what the figures show in the report which you have in front of you.

(The following was submitted later:)

THE PETROLEUM REQUIREMENTS OF THE UNITED KINGDOM BY MAJOR END USES

The following table on United Kingdom petroleum requirements by major end uses includes figures for actual consumption during 1938, 1946, and 1947, and also the British estimate for petroleum needs during 1948 as compared with the United States estimate for British requirements during the fiscal year 1949.

The petroleum requirements of the United Kingdom by major end-uses, 1938 to fiscal 1949 [1]

[In thousands of metric tons]

	Actual			British estimate, 1948	United States estimate, fiscal 1949
	1938	1946	1947		
Road transportation:					
Commercial vehicles	2,776	2,832	3,058	3,369	3,300
Private cars and motorcycles	2,480	1,319	1,745	2,101	2,000
Railways	10	17	41	447	280
Inland waterways	18	110	192	350	250
Bunkers	1,463	1,699	2,143	2,128	2,100
Agriculture	220	952	1,087	1,166	1,150
Commercial and domestic lighting and heating	675	741	1,102	1,225	1,200
Town gas manufacture	180	544	1,040	1,028	1,000
Industrial uses	1,247	1,426	2,646	4,635	3,000
Military and other uses including replenishment of stocks	607	4,425	2,267	4,865	3,300
Lubricants	480	740	657	721	640
Total	10,156	14,805	15,978	22,035	18,220

[1] Liquid petroleum products only.

The United States recommendation for British petroleum requirements during fiscal 1949 is about 17 percent below the British estimate for their petroleum needs in 1948 and some 15 percent higher than actual British consumption during 1947.

The increase between calendar 1947 and fiscal 1949 is largely due to the fact that British petroleum stocks must be replenished to an efficient working level during the next few years. In 1947 as a result of tanker shortages and because of the scarcity of dollar exchange, new supplies had fallen below requirements so that British petroleum reserves had to be drawn on to such an extent that stocks had fallen below a level at which efficient distribution could be maintained.

The level of requirements as suggested in the United States estimates for fiscal 1949 will in most cases permit only a rate of consumption in line with or even slightly below the rate of demand actually experienced toward the end of 1947. In this connection it may be pointed out that the conversion program from coal to oil was halted by the British Ministry of Fuel and Power in December 1947, subject to a review of the whole fuel oil supply position.

PETROLEUM REQUIREMENTS FOR GERMANY

The CHAIRMAN. Now, your petroleum product figure in this for Germany seems to be 176,000 in the ECA set-up, and she seems to have 1,976,000 tons to be allocated to her, which is an increase of about 300,000 over the current year. I am wondering why that should be, because they also are producing the coal to run their set-up and considerable for export.

Mr. LEVY. The explanation here is that the number of units for agricultural production in Germany is scheduled to increase, and so is road transportation.

The CHAIRMAN. Well, they do not have many tractors, and they have an indigenous production of 10,000, but they do not use many tractors on their fields.

Mr. LEVY. The number of tractors in 1947 registered in Germany was 31,000 units, and they expect to have 40,000 or 45,000 units in 1948. In addition to that, of course, commercial road transportation in Germany is at a very, very low level right now, and if we expect her to increase her production, we would have to provide some oil, at least in cases where oil cannot be substituted by coal.

Mr. NITZE. That 176,000 metric tons relates to the French zone and the Saar.

Mr. WIGGLESWORTH. Exclusively?

Mr. NITZE. Exclusively; the bizonal portion would be included in the GARIOA.

OVER-ALL REQUIREMENTS FOR COAL

The CHAIRMAN. You have the coal picture, Mr. Boyd, and can you tell us in just a few words what that picture is and why it is?

Mr. BOYD. Yes, Mr. Chairman; I think I can give that to you briefly. As I am sure you realize, coal is the life blood of the industrial operations almost anywhere and particularly in Europe, inasmuch as the energy consumption of production in Europe is much higher from coal than it is in this country. The Ruhr district of Germany is the focal point or was the focal point before the war for the backbone of the European economy in coal. That was badly destroyed during the war; the labor forces were dissipated, and the transportation system, which moved coal to various parts of Europe, was badly upset and is still in a very precarious position. Consequently, it was very essential that coal be imported into Europe soon after the war, and that was done.

This plan here, as proposed now in the figures presented to you, indicates a rapid decline in the next few years of the importation of coal from the United States into the western European economy. There were shipped from this country, in 1947, 40,831,000 short tons of coal to Europe.

Mr. CASE. Could you indicate the principal places to which that went?

The CHAIRMAN. I will ask him to put a statement in the record in detail on that.

Mr. BOYD. We can do that.

(The matter referred to is as follows:)

United States coal exports to CEEC countries, 1947 [1]

[In thousands of metric tons]

Austria	93	Switzerland	733
Belgium	4,423	United Kingdom	614
Denmark	2,201	Bizone Germany	49
France	12,702	Dependent overseas territories:	
Greece	31	Belgian	15
Iceland	52	French	1,304
Ireland	930	Netherlands	90
Italy	8,187	Portuguese	107
Netherlands	2,498	British	581
Norway	906		
Portugal	773		38,754
Sweden	2,465		

[1] Includes anthracite, bituminous, and coke.

Mr. BOYD. That was provided in this country from an economy which produced in that same period 676 million tons of coal, total, so that the drain in 1947 in this country to provide Europe with coal was not serious. The only problems were in matters of qualities of coal. Coal production in Europe is expected to increase markedly during the next 4 years so that the drain on United States coal is expected to decrease rapidly, particularly after the middle of 1949.

Mr. KEEFE. What was that statement?

Mr. BOYD. The European requirements for United States coal will rapidly decrease.

Mr. KEEFE. Don't you have to qualify your statement just a little bit as to the types and quality of coal? You are speaking as "pigs is pigs" and "coal is coal," but out in my country we found that is not true; that the qualities of coal as between anthracite and Pocahontas and other qualities of coal made a very great difference.

Mr. BOYD. There were spot shortages in this country during last winter of special types of coal; consequently, we did feel the pinch in some areas of this country last winter because of the inability to move certain types of coal from the coal fields to certain areas. But that was not seriously affected by the transportation of coal to Europe. We made brief studies of that to find out if there were certain types of coal required here which were going to Europe, and in order to limit the export of qualities in short supply here, export operations were so handled as to prohibit or reduce the export of these types of coal required in this country. The drain on United States exports of coal in short supply was handled fairly well during the winter, and the exportation of certain types of coal, in some cases, which are in abundant supply in this country, assisted our production here. As you know, in the anthracite field, the smaller sizes of coal have a market in Europe. That relieved freight cars used for storing that coal, made more cars available and thereby added to anthracite production, because the rate of production in this country has been, in the last year or so, dependent upon the supply of freight cars and not upon the mine capacity. The mine capacity is far in excess of the present production rate.

I think, Mr. Chairman, that covers it, in very broad generalities. If there are any specific questions, I will try to answer them.

Mr. WIGGLESWORTH. What does the plan call for?

Mr. BOYD. The plan calls for the movement of coal to Europe in 1948–49 fiscal year of 30.1 million tons.

The CHAIRMAN. And subsequently—or do not you go that far?

Mr. BOYD. In 1949, the plan is to reduce that in half, to 15 million tons, and the following year, 1950–51, to almost a third of that, to 5.5 million, and in 1951–52, to 2.8 million tons. The total for the 4 years is 53.4 million tons.

The CHAIRMAN. Will you put in the record for the year 1948–49 how you propose to break down that 30 million tons?

Mr. BOYD. I think we can do that.

The CHAIRMAN. You have it in the other tables in detail, but you can gather it together for us?

Mr. BOYD. Yes, sir.

(The information requested is as follows:)

Estimated exports of United States coal to CEEC countries in 1948–49

[In thousands of metric tons]

Belgium-Luxemburg	2,083	Portugal	980
Denmark	964	Sweden	900
France	10,500	Switzerland	1,536
Italy	9,156	French dependencies	900
Netherlands	2,713		
Norway	404		30,136

The CHAIRMAN. Now, let us start at the beginning of this table and go down the line with it, and we will go through with it just as fast as we might.

COAL REQUIREMENTS FOR AUSTRIA

The first one is Austria. There seems to be no ECA shipment of coal; on the other hand, there seems to be an importation schedule there of 4.8 million tons, giving them 7.9 million, which is 500,000 above their prewar and 3 million above their 1946 and 1.7 million above 1947. From where does that coal come?

Mr. BOYD. That comes largely from Germany and the Ruhr.

The CHAIRMAN. And why would they need more than their prewar set-up? You see, you have more oil by far, pretty nearly three times as much oil, set up to go in there, and now you have more coal than prewar. It looks like there might be a surplus there on requirements, does it not?

Mr. BOYD. I am not competent to answer those questions.

The CHAIRMAN. You do not know?

Mr. BOYD. No.

Mr. STULL. I think part of that, Mr. Chairman, would be in rehabilitation. It takes more to rebuild than it does to build up from scratch. In reconstruction, your consumption is greater. Also, the plants now in existence are very inefficient plants, and until it is possible for those plants to be replaced, the consumption of coal will be greater than after they are replaced.

Does that answer your question?

Mr. CASE. What was the percentage of industrial production in Austria that was destroyed in the war?

Mr. STULL. I cannot answer that.

Mr. NITZE. By and large, the Germans, during the period of occupation of Austria built up the Austrian industries to a considerable extent. They expanded the steel industry in Austria; they expanded the electric-power industry in Austria; they expanded ball-bearing production, mechanical production, and various other fields of industry to a point considerably higher than they were prior to the war. And I believe the destruction during the war was less than the increment of construction by the Germans during the course of their stay in Austria.

Mr. CASE. That is what I was getting at.

Mr. NITZE. The Russians, however, did remove a considerable portion of the increased plant capacity.

Mr. CASE. The Russians took that for reparations?

Mr. NITZE. As alleged reparations and war booty.

Mr. CASE. So that now we will replace the reparations?

Mr. NITZE. No; I do not believe that is it. I think the amount of industrial capacity still left, at least in the American zone of Austria, is in excess of what it was prior to the war.

Mr. CASE. And if it is in excess of what is was prior to the war and there was not sufficient destruction so that you have it available, why, then, is the answer we just had any good as far as explaining why they need more coal is concerned? The answer given was they needed more coal to build up their destruction in the war.

Mr. NITZE. The industrial production immediately after the war fell extremely low. Stock piles were virtually exhausted; a great

many of the industries the Germans built there were war industries and are not ones which can be used today. So that you have the problem of reconversion and reconstruction to get the Austrian economy back up again.

Mr. CASE. The aim of the Austrians is to develop their hydroelectric power; is it not?

Mr. NITZE. That is correct; but that is not completely a substitute for coal.

The CHAIRMAN. Are there any questions on Austria?

Mr. KEEFE. What is she using for money to pay for these imports of coal from Poland?

Mr. NITZE. Under Public Law 389, as I remember, this committee authorized some of those funds to be used for the purchase of coal from Poland.

Mr. KEEFE. Apparently there are no funds under this program to be used for that purpose, but projecting this program at least 1 year, what are they going to use for money to buy this needed additional coal?

Mr. NITZE. That is one of the items which has concerned us a great deal, because these figures have been based entirely upon the deficit with the Western Hemisphere and therefore do not make any allowance for any dollar expenditures outside of the Western Hemisphere. On the other hand, we are in occupation in Austria, our Army is there, and there may be dollar requirements that will have to be authorized in the case of Austria for purchases of things outside of the Western Hemisphere.

Mr. KEEFE. I thought that occupation money we provided was to be figured in this whole over-all program.

Mr. NITZE. It is.

Mr. KEEFE. Eight hundred and eighty-odd million.

Mr. NITZE. I believe the GARIOA request covers only bizonal Germany and does not cover Austria, and all of the economic expenditures in Austria will have to come out of this program. We explained to the Senate Foreign Relations Committee that the Administrator might find it necessary to use part of these funds in order to take care of that situation in Austria and, perhaps a similar situation in Greece.

Mr. KEEFE. So far as the facts before the committee now are concerned, there is no showing of any dollars for the purchase of coal that is needed for the Austrian economy. You set up here, as I understand it, total imports of 4,809,000 metric tons of coal that they need and that they are going to get from some place.

Mr. NITZE. Some of that, of course, comes from Germany.

Mr. KEEFE. And there is set up 3,095,000 metric tons of domestic production. What sort of money are they using to pay for those 4,809,000 metric tons? That is what I would like to get an answer to.

Mr. NITZE. I think that is a problem the Administrator will have to face. He will probably have to readjust his program in order to take care of those purchases.

Mr. KEEFE. In other words, your answer is you do not know; is that it?

Mr. NITZE. Of the total of four million——

The CHAIRMAN. Which one of those books are you reading from now? Do we have a copy of that here?

Mr. NITZE. This is the book Estimated Commodity Imports.

Mr. KEEFE. From what page are you reading?

Mr. NITZE. Page 94.

Mr. KEEFE. Proceed.

Mr. NITZE. You will notice under column 5 it is estimated that 1,452,000 tons might come from other nonparticipating countries; 3,357,000 tons might come from other participating countries, which would be largely from Germany.

Mr. KEEFE. What does that mean? Does that mean that you are going to get 1,452,000 metric tons from other nonparticipating countries? What are those countries?

Mr. LISTER. Largely Poland.

Mr. KEEFE. What kind of money is going to be used to pay Poland?

Mr. LISTER. Roughly 50 percent of the coal that is now moving from Austria to Poland is paid for by an exchange of commodities.

Mr. KEEFE. You mean, on a barter basis?

The CHAIRMAN. I suggest the witness come up to the table so he may be heard by the committee.

Mr. KEEFE. Will you state your name, please, and what your connection is with this set-up, so we will have it for the record?

Mr. LISTER. My name is Louis Lister, State Department.

Mr. KEEFE. What branch of the State Department, Mr. Lister?

Mr. LISTER. International Resources Division.

I can describe the form in which the Poles are now reimbursed for the coal now moving to Austria. The form of reimbursement for the coal to be obtained from Poland, as shown in this table, involves policy decisions for the ECA Administration.

The CHAIRMAN. Before you get to that, we were supposed to get a break-down of what was to be paid for under the ECA Administration. We have not got that and it is all away up in the air. We ought to know what the facts are.

Mr. KEEFE. Mr. Chairman, so far as the material that appears before this committee presently discloses, there is no coal shipped to Austria that is to be financed by ECA. That is the way it shows here.

The CHAIRMAN. That is what the document shows, but that is nat what this gentleman is testifying to.

Mr. KEEFE. I have pointed out the fact that this same document indicates that 4,809,000 metric tons of coal is contemplated to be imported into Austria which, along with 3,095,000 metric tons makes a total available supply of 7,904,000 metric tons for Austria.

I have asked the question, What kind of money is being used by Austria to purchase those 4,809,000 metric tons of coal that they are going to import during this next year?

You have indicated that your portion of those imports are represented, as shown on page 94 of this document entitled "Estimated Commodity Imports and Exports of the Participating Countries"—it indicates that 1,452,000 metric tons are to be imported from other nonparticipating countries and 3,357,000 metric tons are to be imported from other participating countries.

You have now indicated, as I understand your testimony, that of the first item Poland is contributing a portion of that coal to Austria. I have asked, if that is true, how is Poland being paid for that coal. Now, what is your answer, if you are in a position to answer; or who is going to answer that?

Mr. NITZE. If one turns to the Balance of Payments book, entitled "Estimated Balance of Payments on Current Account of the Participating Countries" on pages 14, 15, 16, and 17, referring to Austria, one will find on page 17 a summary of the balance-of-payments situation of Austria and in column 6, "Other nonparticipating countries," there is an accumulation of the value of the total commodity imports from participating countries and then the total of commodity exports to other nonparticipating countries.

That indicates that of all the imports from nonparticipating countries, roughly three-fourths can be envisaged as being paid for by the exports to the nonparticipating countries.

On these estimates there was a difference of $20,000,000 which is the problem which I referred to earlier in my remarks. There is a $20,000,000 problem there which is not allowed for in the estimates that have come up here.

It may be possible that that can be worked out by an increase in Austrian exports over and above this figure.

It may be necessary to cut down on those contemplated imports from the nonparticipating countries, but at this stage of the game it is an unresolved problem. That is what I was trying to get across.

Mr. CASE. Will Poland be satisfied with that payment?

Mr. LISTER. Some of the payment she is now taking is in the form of goods.

Mr. KEEFE. This committee is being asked to appropriate money for a program and we have had submitted to us a whole mass of documents and figures. Now we are discussing coal as related to Austria and I have asked what appears to me to be a simple question and the answer to it becomes more and more involved the farther we explore it and I do not understand it at all now. I want to repeat the question.

Austria under this over-all plan is expected to import 4,809,000 metric tons of coal this year. She is going to get it from some source outside of Austria. I do not know where she is going to get it, but we come here in this book on page 94 and find an indication that 1,452,000 metric tons is going to come from nonparticipating countries, and 3,357,000 metric tons is going to come from participating countries.

Now, at least as to the nonparticipating countries, I would assume that those countries, whatever they are, are going to be paid in some form or other for the coal that they ship into Austria.

You have now indicated through the witness who has lately come on the scene that Poland is one of the nonparticipating countries, and Poland is going to furnish a part of this 1,452,000 metric tons that is envisaged here. I have asked, How is Poland to be paid for that coal? Poland is not a participating country and therefore is not involved in this balance-of-payments situation at all.

Now I am told, as I understand the testimony, that part of this tonnage from Poland is going to be paid for in some sort of a barter transaction by which the goods of Austria are to be traded for coal from Poland. Is that right?

Mr. LISTER. That is correct.

Mr. KEEFE. Is it all to be paid for that way, in a barter transaction?

Mr. NITZE. May I try to go back a little bit to the way in which these——

Mr. KEEFE. Can't you answer that question, sir, without making such long, tedious explanations that befuddle the issue still more? Can't you answer that simply?

Mr. NITZE. I am afraid not, sir.

Mr. CASE. Can Mr. Lister? I think he was about to start to answer.

Mr. KEEFE. Can you answer it, Mr. Lister?

Mr. LISTER. I think the form in which Poland will be paid for in dollars depends upon——

Mr. KEEFE. I am not asking whether they are to be paid in dollars or not. I am asking what they are going to be paid in.

Mr. NITZE. These estimates as to commodity movements were estimates as to requirements and availabilities. As it works out, it may be that they will have to be cut down, but in order to get this program up, we had to estimate first of all what the requirements were and the possible sources of supply. These are set forth in this book, Estimated Commodity Imports and Exports of Participating Countries.

Mr. KEEFE. Can we not get away from that book for just a moment?

Mr. CASE. May Mr. Lister give his answer? He started to.

Mr. LISTER. I presume the coal which Poland will supply Austria will be paid for by a combination of goods and currency.

Mr. KEEFE. What currency?

Mr. LISTER. That depends. The amount of currency to be paid depends upon two factors. One is whether Austria will have an adverse balance with Poland for the total goods exchanged, and, secondly, the apportionment of that adverse balance among the various commodities which she imported from Poland.

Mr. KEEFE. Do you understand that, Mr. Chairman?

The CHAIRMAN. No; and I do not think the witness does, let alone the committee. I do not think anybody else could.

Frankly, I am not very well pleased with the sort of information the committee is being furnished.

Mr. KEEFE. I am trying to get at some basic facts.

The CHAIRMAN. I know you are.

Mr. KEEFE. And have seized upon this in order that we may save time going through all these other estimates that are here before us.

Mr. HENDERSON. Mr. Congressman, I really do not think that I ought to try to answer, as I have been here only a short time, but if I may, I should like to say that it seems to me that these are bound to be estimates and we know that they are not going to be lived up to exactly.

Mr. KEEFE. We understand that.

Mr. HENDERSON. If we do not have enough exports and imports to balance, it is quite possible that Austria is going to have to do with a little less coal. She is not going to be able to get all of that coal, or it may be made up by something else which will be imported into Austria which she pays for with exports and those exports will be available to go to Poland. I do not think it is going to be a question of figures today so much as how that works out in the actual operation of the economy.

Mr. CASE. Let us follow that just a little further, Mr. Henderson.

Mr. HENDERSON. I was afraid that you were going to start to cross-examine me.

Mr. CASE. The next column is for Belgium and there is an estimate for 1948–49 of total imports of coal of 9,330,000 metric tons; domestic production 27,250,000, which makes a total of 36,580,000 metric tons.

We were told the other day that if we would take the total of columns 1 and 2, total imports plus domestic production, and measure that against the third column, available supply, the difference would be the amount that was exported. But when you take the 36,580,000 metric tons and subtract the available supply of 32,930,000 metric tons you have left 3,650,000; in other words, 3,650,000 metric tons of coal that is to be exported. To make it possible for Belgium to export this 3,650,000 metric tons of coal, ECA apparently is called upon to finance and ship into Belgium 554,000 metric tons so that Belgium in turn can export that coal.

Now, applying that to this Austrian answer that we got, while apparently we are not being called upon to export coal into Austria so that she can make her payments in the form of coal, we are called upon to send certain things to Austria so that she can produce some exports to pay off Poland for this coal that she gets from Poland.

But the absurdity of the situation from the standpoint of the United States, it seems to me, is that we should be called upon to export half a million tons of coal to Belgium so that, in turn, she can export 3,000,000 tons of coal.

Mr. LISTER. The reason for that apparent discrepancy is attributable to the fact that Poland cannot meet all her quality requirements in coal from her own production.

Mr. NITZE. You mean Belgium, do you not?

Mr. LISTER. I am sorry, Belgium. In certain qualities of coal she produces more than she needs. For example, she produces more steam coal for railroad use than she can use for her own purposes. On the other hand, she has a deficiency in supply of coking coal which she has to import, both from the Ruhr and other areas. That is a historic situation in which Belgium has found itself in prewar years.

Mr. CASE. I understand the difference between the two coals. Assuming that she wants this Ruhr coal, there is this situation: Belgium produces for export dairy products—foods of the sort which Germany badly wants. If Austria can pay Poland in goods for the coal that she needs, why cannot Belgium pay Germany in goods for the coal that she needs rather than our putting up the dollars?

Mr. LISTER. I think she could.

Mr. NITZE. She could and does.

Mr. CASE. But, even so, we have got this 554,000 metric tons that is to be financed by ECA.

The CHAIRMAN. And that means about $12,000,000—in that neighborhood.

Mr. CASE. Did I understand you to say that there was not enough Ruhr coal, Mr. Lister?

Mr. LISTER. There is not enough to satisfy all of Belgium's requirements.

Mr. CASE. Then, where would she get this coking coal from—England?

Mr. LISTER. She would get part of her coking coal from the Ruhr, part from England, and possibly a small quantity from the United

States. Her imports do not consist entirely of coking coal. There are other grades of coal—gas coal—of which she has a deficiency. Her total import deficit does not consist only of coking coal. Belgium is also an exporter of coke. Even at the present time she is exporting coke to France and those coke exports are also included in the export figures.

Mr. CASE. Are the coke figures included in the coal figures?

Mr. LISTER. Yes.

Mr. CASE. Shown as exports of coal?

Mr. LISTER. Yes. It is to the advantage of Europe as a whole for Belgium to export coke because France has a deficit of coking capacity while Belgium has coking capacity that is surplus to her needs. Even if France were to get more coking coal, she could not carbonize it.

Mr. KEEFE. I started out to pursue what semed like a simple question to me and I still do not have any answer to it.

Colonel BLUMENFELD. Perhaps I can give some of that answer.

Mr. KEEFE. I shall be very happy to get any information. I am just seeking information.

Colonel BLUMENFELD. I worked on some of these committees and know some of the situations that were met with.

You will notice that in the trade with nonparticipating countries, Austria shows that she will actually import $76,000,000 worth of items on her balance of payment to those same countries. She exports $56,000,000 worth of items to those same countries. Included in the $76,000,000 of imports is this figure of approximately 1,400,000 metric tons which you mentioned as coming from Poland. That is included in the $76,000,00 worth of nonparticipating-country imports and that sum is balanced in part by this $56,000,000 worth of exports from Austria to those same areas, leaving a deficit in her trade with nonparticipating countries of $20,000,000 which Mr. Nitze spoke of.

So, to answer specifically your question, a good part of that 1,400,000 metric tons of imports from Poland will be paid by Austria as exports to the same areas. Mr. Nitze merely pointed out that at the present time, under the present estimate of exports and import requirements, there appears to be about $20,000,000 shortage which means that either Austria to those same areas, leaving a deficit in her trade with non- or she will have to have a short-fall in her imports of $20,000,000, or the Administrator, in the final analysis, if he decides it is absolutely essential, will have to make $20,000,000 available from ECA funds tentatively allocated to other countries. But specifically the bulk of that coal imported will be paid for by Austrian exports to Poland.

Mr. NITZE. I think that is exactly right.

Mr. KEEFE. I think that is a very succinct and fine answer to the question after we had sparred around for about three-quarters of an hour. That to me is a plain, understandable answer and I thank you very much for it.

Then we come to the point once more, which is apparent from these studies, that these figures are merely tentative and do not attempt to show the realities and actualities of the situation as they may exist and are all subject to change as circumstances develop in the administration of the program?

Mr. NITZE. That is correct.

Mr. KEEFE. That is right; is it not?

Mr. NITZE. That is correct. We felt that these figures were necessary, however, to give a picture of the problem as we saw it.

Mr. KEEFE. And that perhaps accounts for the statement that the Administrator gave to the press that he will have to ask for a lot more money; that Congress did not give him enough money.

Mr. HENDERSON. I do not think that is quite what he said, is it, Mr. Congressman?

Mr. KEEFE. That is substantially what he said as quoted in the New York Times quite clearly and quoted in almost every newspaper in the country. I do not attempt to quote his exact words, but that was the interpretation placed upon his statement.

Mr. HENDERSON. I think his statement was intended to indicate the uncertainty, the impossibility of being absolutely accurate in his figures for the whole economy of Europe, so many months ahead of time.

DOMESTIC PRODUCTION OF COAL BY FRANCE

Mr. CASE. Mr. Lister, do you know what our figures are for France's domestic production of coal before she got the Saar?

Mr. LISTER. At the current rate, the postwar rate of production?

Mr. CASE. Yes.

Mr. LISTER. She has produced at the rate of about 1,100,000 a week or approximately 52 to 53 million tons a year.

Mr. HUNTER. In 1936, for instance, France produced 45,442,000 tons of coal. In 1946 France produced 47,903,000 tons of coal.

Mr. CASE. Did you say 1946?

Mr. HUNTER. Yes.

Mr. CASE. The figure on the chart here is 49,298,000 for the domestic production in 1946?

Mr. LISTER. That probably includes lignite, which might not have been included in your figures.

Mr. HUNTER. That is right.

Mr. CASE. What figure do you have for 1947?

Mr. HUNTER. Production for 1947 is 47,300,000 tons approximately.

Mr. CASE. Mr. Chairman, I did not want to get ahead of the picture, but I simply wanted to satisfy myself here, if France would have noncoking coal for export after she got the Saar. Did your figures include the Saar production for 1947?

Mr. LISTER. No. That is metropolitan France, exclusive of the Saar.

The CHAIRMAN. The Saar would be included with western Germany.

Mr. LISTER. Most of the coal from the Saar would be absorbed by the French economy; very little of it would be for export.

COAL REQUIREMENTS FOR BELGIUM

The CHAIRMAN. There seems to be a considerable increase in coal used in Belgium above prewar and above 1946 and 1947. I do not know why that should be. If you have any reason that is legitimate for that, I would be glad to hear it.

Mr. LISTER. In general, prior to the war, Belgium, Luxemburg, and France were suffering from a depression, and consequently the rate of production was below capacity. Therefore, those countries used less

coal than they might have used, and less coal than they could use in the postwar years.

The CHAIRMAN. Their production was higher and their imports lower. I wonder why that same situation does not develop now instead of getting to a point where they have to have larger importations?

Mr. LISTER. Before the war Belgium produced approximately 28.5 million tons of coal a year.

The CHAIRMAN. 29.5 million is the figure that is shown here. I do not know which is right.

Mr. LISTER. The 1938 figure here is 27,250,000.

The CHAIRMAN. I wonder where they got the figure of 29,585,000 that they gave us.

Mr. BOYD. I think they must have given you the wrong figure, Mr. Chairman. The prewar figure for domestic production in Belgium and Luxembourg is 29,585,000 and in 1948–49 it is expected to be 27,250,000.

The CHAIRMAN. Or 2,300,000 less than it was prewar?

Mr. BOYD. That is right.

The CHAIRMAN. I do not understand why they do not get their production back up instead of importing so much. That is the way it appears to me.

Mr. BOYD. That is the difficulty in the European coal situation. The problem is a matter of manpower and supplies, transportation and steel, and so forth.

The CHAIRMAN. Is it not a matter of their going to work?

Mr. BOYD. It is a matter of going to work and producing the things that are necessary to produce coal, steel, and so forth.

DISCUSSION OF SHORTAGE OF FRENCH RAILWAY CARS

Mr. KEEFE. Mr. Chairman, on that very point. I think it might be well to call attention to an article which appears in the New York Times of Wednesday, April 21, referring to this very situation and ask for some comment upon it. This is what it said:

An official of an international agency, recently returned from Poland, reported that Polish economic officials were seriously troubled by the prospective glut of coal if output continues to expand at present rates. Already Polish coal is being sold with difficulty in northern and western Europe, where its natural markets lie.

At the same time, France, it was learned today, is negotiating for the import from the United States of 6,500,000 tons of coal in each of the next three quarters at a monthly cost of about $22,000,000. Inquiries in Paris reveal that there are three reasons why France does not buy more Polish coal. The first is the shortage of transport, aggravated by the fact that United States authorities in Germany are still taking French railway cars on the way through, alleging that the French are withholding some German cars—an issue that was supposedly settled 2 months ago.

FRENCH TURN-OVER INCREASES

Second is the fact that France cannot pay for much additional Polish coal without exporting things that can also be sold for dollars or other hard currencies, or usefully employed at home.

Third, the United States is withholding agreement to the export of coal from the Saar to Switzerland, which would permit France to use more of certain types of Polish coal in replacements and earn hard currency. Eventually, this shift would reduce Europe's total need for United States coal, although not necessarily France's.

The CHAIRMAN. What do you know about that?

Mr. KEEFE. That appears to be an authoritative statement. In fact, it is published in connection with Mr. Hoffman's statement before this committee the day that he appeared.

Mr. NITZE. I am not sure as to the degree of reliability we can give to Michael Hoffman's newspaper reports. He is the same man with respect to whom Mr. Myrdal sent that letter to the Times which I believe is in the record of your committee, Mr. Chairman.

I think with respect to the matter of railroad cars perhaps Colonel Blumenfeld could make a statement.

Colonel BLUMENFELD. There has been this problem, as you know, on rail wagons and that is under negotiation right now in Brussels and Paris.

There have been a number of unsettled problems on this rail-car situation, France claiming that the German cars in her area belonged to her as reparations, or in restitution for the cars that Germany took out of France. At the same time Germany's car pool is short by over 100,000 rail cars because of the fact that the French wagons that she had are now being sent back to France and she is unable to get her German wagons back except on a one-for-one exchange.

You will notice, in looking through the import commodities, that there are to be 20,000 rail cars programed to go to Germany. Part of the negotiations now contemplate that since France also needs rail cars, that they may be able to tell France, "Well, we will give you a part, or a good substantial number of these new rail cars now that are going to Germany and in return you release perhaps 2½ to 1 or 2 to 1 of old cars to Germany."

I think the statement that Germany is picking off the French cars as they go through Germany is not at all true because at the present time, pending the settlement of this short-fall of cars and the impact of the new cars into France, there is an arrangement worked out whereby cars are exchanged at the French-German border on a 1-for-1 basis. Normally France tries to ship back to Germany German cars and in exchange the German authorities send shipments back to France in French cars to sort of clean up the car inventory and get the cars back where they belong.

I think really that is an incorrect statement, that Germany is picking off the French cars, because I am quite sure that the bizonal authorities are living up to the 1-for-1 car exchange and there is certainly no intention to pinch off the cars.

It makes a very dramatic statement, and at one time, I agree, there was considerable difficulty in the solution of the problem. But I am quite sure that that is not the reason for any short fall in shipments from Poland to France.

As a matter of fact, if I may state a situation that I am familiar with, during the time when we were having such a difficult time getting coal into Berlin, the Soviets were to give part, the United States zone was to give part, and the British zone was to give part. We were supposed to get, as I understand it, some of this coal from Poland, and she did give us some coal, which I guess Russia subsidized to make up her commitment for the coal. The problem in getting our coal from Poland was aggravated by the fact that they did not give us all our car wagons back. That was one of the reasons why shipments fell down, because our wagons would go into Poland and we would not

get them back and we would not get the shipments back in their wagons. That is one of the reasons why there was such a very serious shortage of coal to come into Berlin, that was to come from Soviet or Polish sources.

The CHAIRMAN. Germany produced 28,000 coal cars prewar and she is not getting any now. France is only producing a few. Both of them have steel that they could go to work on and both of them have got the coal. Why do they not go to work and do that? Why do they not put their folks to work instead of lying down on us?

Mr. KEEFE. France is not going to buy coal from Poland, according to this article, in exchange for goods which she can use to sell in the United States or in hard-dollar countries, for dollar exchange, as long as she can get the coal from the United States for nothing. That is a sure thing.

PRESENT SHIPMENTS OF POLISH COAL TO FRANCE

Mr. LISTER. France is taking over 50,000 tons of Polish coal a month at the present time, and that is shipped by all-rail movement from Poland to France. The Poles are overcommitted for their total exportable supply of coal. Most of the Polish coal moves are under bilateral trade agreements, and the total of the coal committed under those agreements by Poland is in excess of the quantities she can export. So that if she shipped more coal to France she would have to short-fall somebody else. The facts do not support the contention that Polish coal is begging for disposal. All of it is now being disposed of.

The CHAIRMAN. How could this man print that statement if he did not have anything to base it on?

Mr. LISTER. I do not know.

The CHAIRMAN. Has the Times become that unreliable?

Mr. KEEFE. The situation that confronts anyone seeking factual information that is reliable is this: He is confronted constantly by what appear to be authoritative statements, based upon what appears to be authoritative information.

Mr. NITZE. I am not sure that one can rely upon Mr. Michael Hoffman's stories in their entirety.

Mr. KEEFE. I do not know what you can rely on myself any more.

Mr. LISTER. The article indicates the information was obtained from Polish sources.

The CHAIRMAN. We have discussed the Belgium-Luxemburg situation somewhat.

COAL REQUIREMENTS FOR DENMARK

We will take up the items for Denmark. You have Denmark scheduled for an increase in importations. You have 993,000 metric tons ECA-financed, and an increase in importations of 5,400,000 in 1947 to 6,000,000 tons in 1948–49 which is approximately 600,000 above prewar. Why would they need more coal than they had prewar? And why would we need to help them out on that? They do not have an industrial picture that would require a substantial increase in coal over their prewar supply.

Mr. LISTER. The prewar rate of supply was approximately 5,400,000. The figure shown for 1948–49 is 6,000,000. The increase in requirements is largely due to a combination of factors. One of them is attributable to the fact that Denmark is now employing about 25,000 workers in the production of peat, which is used as a substitute for coal.

The CHAIRMAN. That would not be a reason for increasing their consumption of coal, it would be a reason for decreasing it.

Mr. LISTER. No, the peat workers are not being used to their greatest economic efficiency in producing peat; on the other hand, Denmark has a shortage of agricultural workers. These people producing peat are drawn directly from agriculture and it would be to Denmark's advantage to employ those people in the production of agricultural goods and to displace the peat she uses with coal, thereby having more agricultural goods for export.

An additional increase in requirements is attributable to reconstruction needs.

The CHAIRMAN. Denmark was not damaged very much, was it? It is not my information that she was.

Mr. LISTER. On the other hand much of her plant and equipment was run down during the war for lack of upkeep and maintenance and has to be replaced in the postwar years.

The CHAIRMAN. Denmark did not have a very large manufacturing business or anything of that kind anyway. The total number of people engaged was only 180,000 in the prewar period. They cannot have much of a rehabilitation problem, on a large scale that would require more coal than they had prewar.

Mr. LISTER. An additional reason for her higher requirements is attributable to the fact that in the postwar years the fuel available is of lower efficiency than in the prewar years; it is of a lower quality, with a greater average of waste in it, as a result of which most countries have had to burn more coal in order to produce an equivalent quantity of goods. That is a fact which runs throughout all these consumption requirements.

The CHAIRMAN. You mean that the coal they are getting now is not any good?

Mr. LISTER. It is about 5 percent lower in quality than prewar coal.

The CHAIRMAN. Why is that?

Mr. LISTER. That is due to the following reasons: One is that the surface cleaning facilities were run down during the war and those facilities have not been replaced, so that not as much of the coal is being washed properly or cleaned at the present time.

Then secondly, due to the shortage of coal there is a tendency to neglect quality in favor of volume; the mines do not have the incentive to produce high grade, clean, and well sorted coal because they can sell everything they produce; the lack of a buyers' market has reduced the incentive to grade coal properly.

Thirdly, development was neglected during the war, as a result of which a lower quality of coal is mined, with more dirt in it than prewar.

The CHAIRMAN. But they have a very much lower production in the major products than they had prewar. Are there any questions on Denmark?

COAL REQUIREMENTS FOR FRANCE

France is our next item, where you have 10,800,000 tons of coal through ECA. You have a production of 53,000,000 as against prewar of 47,000,000 tons; and the 1946 production was 49,000,000 tons, and the 1947 production was 47,000,000.

The amount of coal that was available prewar was 68,000,000 tons and the figure is 76,000,000 now. Why is that, why the 14,000,000 increase above last year; why do you need this 10,000,000 tons paid for by ECA?

Mr. LISTER. Again, as in the case of Belgium, France experienced a depression before the war as a result of which she was not using her industrial plants to the fullest.

Secondly, there are large reconstruction requirements; reinvestment, and additional capital plant requirements which explain the increase in French coal consumption as compared with the prewar years.

The French steel industry, prewar, for example, was operating at a rate far below capacity, whereas the French at the present time are not only trying to get their steel industry up to capacity but even to increase it by adding new mills and new blast-furnace facilities.

Again, as in the case of Denmark, the increased requirement is also attributable to the lower efficiency of the coal available. There are in general two factors with respect to efficiency: One, the burning efficiency of the plants using coal is below prewar standards; and, second, the quality of the coal itself is lower. There has been a decline in general of about 5 percent in the quality of coal in Europe as a whole.

Mr. NITZE. There is another factor, Mr. Chairman, and that is the United States today is experiencing a great shortage of steel, compared with demand; before the war Europe depended in part on the United States for steel. The United States is now unable to supply all of Europe's import requirements, and in order to meet that deficiency in steel the French and various other countries are attempting to get their steel production up to fill their urgent requirements. The increased steel production does involve a substantial increase in coal consumption, and that is a part of the reason why the French requirements have risen more rapidly than they were before the war.

Mr. CASE. Do you regard it as good economy to ship the coal from the Ruhr down into France and to build up steel-producing mills rather than to use the coal where the steel mills are, where they have natural water transportation, and where they are close to the Swedish ores?

Mr. NITZE. It is my understanding that the German steel production is to be stepped up as rapidly as it can.

Colonel BLUMENFELD. Yes.

Mr. NITZE. The facts in the brown book differ from the estimates that were presented to the Appropriations Committee; the present estimates indicate that German steel production has been increased.

Mr. CASE. That seems to be a sound argument for shipping the iron ore to the coal, as is done in the United States, rather than shipping the coal to the ore.

Mr. NITZE. I think the estimates here are also changed—I think the Swedish iron ore is even closer to Germany than the United States ore.

Mr. CASE. I think that is a perfectly natural flow.

Mr. NITZE. Yes.

Mr. CASE. Where you have an industry that rests so much on coal, where water transportation is available for materials required in the production of steel, and it is more economical than it would be to ship both coal and ore into France, and also to have to build up mills when you have idle mills in Germany.

Mr. NITZE. As I understand, the German economy is such that there is no immediate hope that the German steel production can be increased above the target during the fiscal year 1948–49; that the mills are being utilized to the maximum.

Colonel BLUMENFELD. I believe the final target is now, as I remember, some 10.7 million tons.

Mr. CASE. That was the revised level of industry figure.

Colonel BLUMENFELD. After the original figures were submitted to the Paris conference—they were a lot lower than they are now—the crude steel production estimates were increased to approximately 5.5 million tons. The increase to 5.5 is based on increased rich Swedish iron ore.

Mr. NITZE. The figures we have in the brown book for crude steel are 5,500,000 tons in bizone, 275,000 tons in the French zone, plus 1,900,000 tons in the Saar.

The CHAIRMAN. Are there any further questions on the French coal picture?

Mr. CASE. Mr. Chairman, I know we are not dealing with the steel question now, but I do want to ask a question or two about steel as it relates to coal.

Are we being called upon also to finance the shipment into France of some steel for the purpose of building steel mills which will in turn demand imports of coal?

Mr. NITZE. I believe the estimate of the French imports requirements of coal will decline substantially in the succeeding fiscal year; is that correct, Mr. Lister?

Mr. LISTER. Imports from the United States will decline. The French requirements for United States coal are substantially down for the current year. Last year they were in the order of 15 or 16 million.

Mr. CASE. That has not answered the question as to whether or not we are going to be called upon to send steel into France to make steel mills which will in turn call for more coal, the use of more coal from building additional steel mills? Are we being called upon now to send steel to France?

Mr. NITZE. I am afraid I will have to supply that information for the record.

Mr. CASE. Very well.

(The information requested follows:)

In the CEEC program, France proposed to increase her pig-iron capacity by 1,700,000 metric tons, her capacity for producing crude and semifinished products by 2,000,000 tons, and her capacity for producing finished steel by 1,500,000,000 tons. In the CEEC report the French indicated that they expected only a minor part of the new installations to come from the United States. The answer to Mr. Case's question therefore is that the steel-producing facilities to be supplied by the United States, if any, are to be relatively small.

COAL REQUIREMENTS FOR GREECE

The CHAIRMAN. The next country is Greece, and there you have 15,000 tons of coal, with an increase of perhaps 600,000 tons above their 1947 picture, but with a domestic production of about a half million tons. I was wondering why they need that contribution, which would put them practically up to the prewar figure.

Mr. LISTER. As to the difference between the 1947 supply and that furnished for 1948–49 there is one particular reason why this increase would appear so large.

In the early part of 1947 Greece had simply exhausted her foreign currency, particularly dollars. She just was not importing any coal, any of the coal that she had been allotted by the European Coal Organization; she was unable to pay for any of the coal that she needed badly.

Therefore, a part of the increase, between 1947 and 1948 to 1949 is attributable to the fact that her dollar situation was such she could not finance the import of coal; she was not getting it in 1947.

The CHAIRMAN. She is not going to be able to finance this coal that is supposed to be imported this year, is she? Somebody else is going to have to do that.

Mr. NITZE. That is correct. The problem there is similar to Austria where the coal requirements will come largely from other participating countries.

The CHAIRMAN. What would be the other participating countries that might supply the coal, and the credits that would be involved?

Mr. LISTER. It would largely be Germany, and possibly some quantity from Britain.

The CHAIRMAN. Germany and Britain cannot supply this credit, can they?

Mr. LISTER. It is an import that would not necessarily be supplied in credits.

The CHAIRMAN. What is it to be paid with?

Mr. NITZE. Greece can supply a quantity of oil; she can supply a certain number of goods.

Mr. MAHON. She has dried fruits and olive oil.

Mr. NITZE. As I said, earlier, Mr. Chairman, Greece does present a problem similar to Austria where we have a considerable United States responsibility. It is one of the problems where the deficit with the Western Hemisphere will have to be worked out on some kind of a basis.

The CHAIRMAN. Any questions on Greece?

Mr. CASE. Before the war the total coal production was given at 108,000 metric tons; 1946, 122,000; 1947, 120,000; 1948 and 1949, 460,000. How has she been able to quadruple her domestic production?

Mr. LISTER. It is lignite mined mostly by open-pit operation. It is comparatively easy to increase output by open-pit methods once the equipment is obtained.

COAL REQUIREMENTS FOR ICELAND

The CHAIRMAN. For Iceland you have 175,000 tons of imports as against 158,000 prewar, against 170,000 last year, and 95,000 the year before. You do not show a request for funds for that particular purpose.

Why would that need to be stepped up; why do they need to step up their coal consumption above prewar, especially with the large step-up up they are getting in petroleum products?

Mr. LISTER. I think the required increase is largely for the fishing industry.

The CHAIRMAN. They do not use it all for the fishing industry, do they; not much anyway?

Mr. LISTER. The increase is not of any magnitude; it is only 17,000 tons a year.

The CHAIRMAN. But that is quite considerable for the size of the subject.

COAL REQUIREMENTS FOR IRELAND

Next you have Ireland, where you have an increase above the current year of about 600,000 tons in their available supply. I wonder why we need to do that? That is a case where you have set up a considerable increase above 1947.

Mr. LISTER. The quantity of coal that Ireland consumed in 1947 did not reflect her requirements for coal; coal was very short in the winter of 1946–47 because the British had ceased exports. Ireland traditionally has been supplied with coal by Britain who cut off the exports almost overnight when the severe shortage of coal occurred in Britain during the winter of 1946–47.

The Irish were simply cut off for several months from coal supply, and I understand that the situation got so bad that trees around the United States Embassy had to be cut down and burned in order to supply fuel for the Embassy. The Irish had to resort to getting dollars from the sterling pool in order to purchase United States coal.

Therefore the supply in 1947 was far under the Irish needs. You will note that the 1948–49 figure is also appreciably below the prewar supply.

Mr. KEEFE. With respect to burning trees around the United States Embassy: I remember a time back in my early life when we had to burn the furniture in order to have fuel, so I do not think the illustration is so good.

Mr. LISTER. The requirements shown for Ireland, 1948–49 do not include all the requirements for domestic heating. The Irish rely upon peat; the increase shown is largely for industrial and bunker purposes, and so forth.

COAL REQUIREMENTS FOR ITALY

The CHAIRMAN. Italy, 19,500,000 tons as against a prewar of 14,400,000 tons and ECA supply 7,888,000 of them. I am wondering why we need to step that up? I appreciate the desirability of doing all we can to help Italy, but why do we need to step that up 5,000,000 tons above prewar, when Mussolini was able to get about all he wanted? What can you tell us about that?

Mr. LISTER. A part of the increase is only apparent because nearly 3,000,000 tons of the 1948–49 production consists of low-grade coal, or lignite, which the Italians are going to develop in the postwar period; it is low-grade coal, which is used in local industries around the mines;

the coal cannot be transported over long distances because it contains too much waste.

On a hard-coal basis the Italian requirements in 1948–49, as compared with prewar would be increased by less than 5,000,000 tons; it would be closer to 4,000,000 tons.

The CHAIRMAN. Where are they going to get 14,000 tons of imports; from where is that to come?

Mr. LISTER. It will come largely from Great Britain, Germany, the United States, and a small quantity from Poland.

The CHAIRMAN. How is it going to be financed?

Mr. LISTER. Again the answer is similar to that in the case of Austria.

The CHAIRMAN. You mean it is a matter for further consideration by the European Cooperation Administration?

Mr. NITZE. Italy's problem is different. It is estimated that Italy's exports to the participating countries will be somewhat in excess of her imports from those participating countries. In other words it is estimated that Italy will have a favorable balance with the participating countries, and therefore will be able to pay in goods by her exports, for imports from the participating countries.

And with respect to the nonparticipating countries, outside of the Western Hemisphere, her commodities imports it is estimated will equal her commodity exports; and for anything in excess she buys from them, or for invisible items, she should be able to work out a method of payment.

Mr. KEEFE. What do you mean by "invisible items"?

Mr. NITZE. That refers to freight, largely.

Mr. WIGGLESWORTH. You mean that Italy does not have an unfavorable trade balance with the rest of the world?

Mr. NITZE. She has an unfavorable balance with the rest of the world. However, she has a favorable balance with the other participating countries; her imports from them are greater than her commodity exports to them.

Mr. WIGGLESWORTH. I understand from your last statement that she had a favorable balance.

Mr. NITZE. An unfavorable balance with the rest of the world, but a favorable balance with the participating countries.

Mr. CASE. Where will she get this coal?

Mr. LISTER. Some of it from Germany.

Colonel BLUMENFELD. The bulk of it from Germany.

Mr. LISTER. About three-fourths from Germany, and the rest from Britain.

Mr. CASE. What about her imports; about half of the ECA and some of the rest of it will come from some other place?

Mr. LISTER. According to the estimates, about 9 million tons from the United States; 1 million tons from Poland, which would be paid for in goods.

Mr. CASE. Of the 9 million tons from us how would that be paid for?

Mr. NITZE. It is estimated that 7.8 million tons would be financed by ECA and the remainder would be financed out of her dollar earnings.

Mr. CASE. Then this coal will come, in large part, from us and not necessarily from England and Poland; is that correct?

Mr. NITZE. The total imports consist of 14,700,000, of which 9,000,000 it is estimated will come from the United States; 1,000,000 from the nonparticipating countries and 4.5 million from participating countries, which includes Germany.

Mr. CASE. I understood Mr. Lister to say that 7,000,000 of it would come from England's part.

Mr. LISTER. Of the 4.5 million tons of coal from other participating countries about 3.2 million would come from Germany, and the rest from Britain.

Mr. KEEFE. Britain and Germany are the other participating countries?

Mr. NITZE. In this particular case.

The CHAIRMAN. Why do they need such a substantial increase in coal when they have considerable water power possibilities in Italy, which has long been a substantial means of power development?

Mr. LISTER. The increased power development has been taken into account in these figures; that was given full consideration in the coal-requirement figures. Part of Italy's hydroelectric power is sold to neighboring countries; it is not all for internal use.

The CHAIRMAN. The biggest part of it is?

Mr. LISTER. The biggest part is; yes.

Mr. CASE. Will we provide dollars to Italy to pay England for the coal Italy gets from England?

Mr. NITZE. It is not anticipated that we will. Italy is supposed to deliver goods to England in sufficient quantities to pay for it.

Mr. MAHON. To what level of industrial development will the coal and petroleum which is being supplied advance Italy's economy?

Mr. NITZE. I do not have the figures in mind at the moment, Mr. Mahon.

Mr. CASE. Italy will have 19,000,000 tons as compared with 14,000,000 tons prewar.

Mr. NITZE. Yes. It is anticipated that by 1952 it will be necessary to get industrial production to about one-third above the prewar in order to have any hope of Italy's becoming self-sustaining and being able to pay for imports out of exports.

Mr. MAHON. I know this would help Italy to stimulate her business, but I wonder what percentage of prewar industrial activity would be revived under this program. Would it be 100 percent, 105 percent, 95 percent, or what?

Mr. NITZE. I am afraid I do not have the figures for 1948–49. I do have the figures for the projected program over into 1952.

Mr. MAHON. What do they show?

Mr. NITZE. 133 percent of prewar for industrial development.

The CHAIRMAN. In the survey prepared for the United Nations set-up, in the Myrdal report, on page 1 of that report is shown for 1947, ratio for Italy, over-all, 76.

Mr. CASE. In this coal picture it shows she has had an average supply of 14,000,000 tons, prewar, and she is now to have 19,000,000, which will mean an increase of 5,000,000 tons—or slightly over 30 percent above prewar for coal.

Mr. NITZE. A part of that represents very low grade coal, and cannot be equated ton for ton in B. t. u.'s.

Mr. LISTER. That could be reduced by over 2 million tons; the 19 million figure should be reduced to something like 17 million.

The CHAIRMAN. Why is that: Do you mean that these tables are not correct?

Mr. LISTER. No; it is not that the tables are not correct; it is because the low-grade coal was included on a per ton basis and not reduced to hard coal equivalents; there is also a small quantity of low-grade coal in the prewar figures, which was also not reduced so that the comparison is correct; but if you wanted to reduce it to a hard-coal equivalent basis you would have to reduce the 19 million tons to about 17 million.

Mr. WIGGLESWORTH. You mean 5 million tons of lignite is equivalent to about 3 million tons of hard coal?

Mr. LISTER. Yes.

Mr. CASE. Is all of the increase for lignite?

Mr. LISTER. No; about two-thirds of the difference is lignite.

SOURCE OF INFORMATION ON COAL

Mr. MAHON. How did you get all of this information about coal; what has been the source of the information you are furnishing the committee?

Mr. LISTER. It came from a number of different sources: From reports of the Committee for European Economic Cooperation which met in Paris in the fall of 1947; from reports of United States Embassy officers; from reports prepared by the United Nations; from Americans who have visited the various countries and submitted reports.

Mr. MAHON. What about the report from the Paris conference? Has that helped to acquaint you with the facts as to coal?

Mr. LISTER. The information which the Paris report presented was extremely helpful. The nations at Paris prepared supporting tables showing the requirement for postwar years, broken down by various industries, like steel, railroads, bunker, and so on; and they compared the figures by industry, both for prewar and postwar years.

In addition to that no comparable figures for prewar years were given, and reasons were given for any significant changes in comparative figures between postwar and prewar years.

The report prepared in Paris was extremely helpful, although it has undergone revision since that time because as we have gotten closer to the actual period in question we have been able to get more accurate estimates of what the succeeding year is going to look like. At the present time we are closer to the period in question, and therefore have been able to correct some of the figures.

Mr. MAHON. In considering Italy, they are using a part of the output of their industry, which consumes coal at the present time to produce racing cars and things of that kind. Racing cars would not in any way add to the economy of the country, would they?

Mr. NITZE. I think that is almost entirely for export. I would have to look that up.

Mr. MAHON. If they are for export that would add to their ability to stabilize their industry.

Mr. LISTER. As an example, Italy recently reached an agreement to import Polish coal, for which Italy is to pay with automotive equipment. Fiat is going to import a considerable quantity of Polish coal

for which it will pay entirely with automotive equipment. I believe the greater part of that automotive production is for export.

DISCUSSION OF ITALIAN COAL REQUIREMENTS

Mr. CASE. Mr. Chairman, I have before me this book, giving the latest report on the economic situation, giving the estimated requirements for Italy; for 1947 it shows 12.4 million tons of hard coal, lignite, including brown coal, ton for ton; and that compares with the tables that we have here as to the average supply for 1947. That means that the demand for 1948–49 is up by 7 million tons.

Mr. NITZE. What page is that on?

Mr. CASE. It is on page 166. Estimated requirements for 1947, 12.4 million; and the estimate for 1948–49, 19.5 millions, or an increase of 7 million tons, on the basis of 12 months, in 1 year.

Mr. NITZE. The 12.4 figure corresponds very closely to the figure we have of 12.3.

Mr. LISTER. That is not ton for ton, is it. It means that lignite has been included on a tonnage rather than an energy basis; that is, the lignite figures have been included, but have not been reduced?

Mr. NITZE. This is on a ton-for-ton basis.

Mr. LISTER. It is shown, ton for ton?

Mr. CASE. Ton for ton; yes.

Mr. NITZE. And that corresponds very closely to the figures we have.

Mr. CASE. It seems a little difficult to understand why there should be, in a single year, an increase in Italy of that much. After all, Italy in 1947, was some 2 years away from the war, and if they were in position to increase that much why then should it be necessary to finance, through ECA, such a large proportion of their increase?

Mr. LISTER. If you reduce the lignite that is included in the 1948–49 figure to a hard-coal basis it comes to 5,000,000 tons more than prewar instead of 7,000,000 tons. On a hard-coal basis the supply figures follow prewar, 13.3 million; 1947, 12.4 million; 1948–49, 17.3 million.

Mr. CASE. Except prewar also includes some lignite.

Mr. LISTER. A very small quantity, because most of Italy's coal production, prewar, was not lignite; it was hard coal.

Mr. NITZE. Hard coal in Sardinia.

SHIPMENTS OF MACHINERY FROM WESTERN HEMISPHERE

Mr. KEEFE. I notice on page D–5, of this book of justifications, giving the break-down in 50 items, total shipments from the Western Hemisphere, there is an item, No. 45, designated as machinery—n. e. s., and I have just been advised that the n. e. s. means, "not elsewhere shown"; and below that item, line 6, vehicles, n. e. s.

Now the total in machinery to be shipped from the Western Hemisphere, and otherwise, amounts to 587.5 million.

I have been going through these figures to see if I could find out what is involved in this item of machinery not elsewhere shown, and what the break-down of that is, and I find, for example, on page 11 of the proposed disposition of the Economic Cooperation Act financed volume, under the head of Belgium, Luxemburg, and Belgium dependencies, item 45, machinery, n. e. s., total shipments from Western Hemisphere, $30,000,000; $14,000,000 to be on loan or credit and collateral 3 percent, and $15,500,000 ECA obligation.

Now, of course, I have not had time to check through all of these things, and I assume the totals in all of these countries shown in this volume would total up to the total shown of machinery n. e. s. in the justifications.

Mr. NITZE. That is correct.

Mr. KEEFE. $587,000,000. I also find that machinery n. e. s. apparently does not apply to agricultural machinery, because that is separately set up; it does not apply to coal-mining machinery, which is also separately set up; and apparently does not apply to tractors that are separately itemized and set up. To what does it apply?

Mr. NITZE. It applies to a wide variety of machine tools, each classification for which is different; it applies to industrial equipment outside of those categories you have mentioned which are separately set up.

Mr. KEEFE. The reason I bring it up is because I happen to be somewhat familiar with the machine-tool industry. I have a large machine-tool industry in my district that I have watched grow for many years, and the president of one of those companies was in my office yesterday and presented a situation to me which was rather alarming so far as that industry was concerned and which indicated there was no place in this picture for the machine-tool industry of the United States. I started thumbing through this just a few minutes ago to see if I could get the answers to the questions which he propounded, and I find no break-down that would indicate what this machinery is, unless it was to be machine tools to implement the necessary reconstruction and expansion of industries in these participating countries.

Mr. NITZE. That is correct. It includes so many different types of items which are not directly comparable that it was impossible to give any statistics on a quantity basis. It could only be given on a dollar basis.

Mr. KEEFE. It is contemplated under this program that, to rebuild the economy of the participating countries and to reconstruct and restore their operating efficiency, there will be, of necessity, some utilization of American-made machine tools; is that correct?

Mr. NITZE. That is correct. The field is so complicated, however, that it is imposible to get the same kind of detailed consideration of the various items that comprise it.

Mr. KEEFE. Well, it is a pretty sizable item; it is half a billion dollars that is set up here.

Mr. NITZE. It is a big item.

Mr. KEEFE. Now, it is a very important question for the American machine-tool industry, it seems to me, when right now one of the large plants in my district, in perfect good faith, when we were dealing with Czechoslovakia, for example, had contracts approved, letters of credit issued, and contracts signed for the construction of machinery for Czechoslovakia, that was one of our friendly countries and with whom it was urged to do business and which manufactured to Czechoslovakian specifications a large amount of machine tools built to metric specifications that are not used in this country, for example. Then, when the iron curtain dropped over Czechoslovakia, they find themselves with those completed machine tools on their floors, with a tremendous investment of money in them, and unable to dispose of them, and faced with a very dire situation as a result. And the Export Li-

cense Control Division of the Department of Commerce, perhaps very properly, has said, "Sorry; nothing we can do about it." And there they sit, with a large amount of their capital tied up in this expensive machine-tool industry, aggregating several hundred thousand dollars. and they cannot do anything about it.

I am just wondering whether or not, in connection with this program, there may not be other countries in Europe that will need machine tools using the metric basis upon which these have been constructed, by which an American manufacturer might find some relief out of that rather intolerable situation, which can be multiplied, I am told, a good many times. And I am thinking in terms at this point of the interests of an American company that finds itself in a squeeze; don't you see?

Mr. HENDERSON. Yes, sir.

Mr. KEEFE. So at least there is set up here a fund, prospectively at least, that will enable the Administrator, in the exercise of his judgment in dealing with these participating countries, to provide machine tools to implement the production facilities in these countries, which would seem to me to be almost paramount if they are ever to get on their feet.

Mr. CASE. Mr. Chairman, this Myrdal report has been made available to Members of Congress under date of April 9, 1948, in a letter from the chairman of the Committee on Foreign Affairs which says it is, he believes, the most comprehensive statement of conditions of European economy now available, and the chapter in that which deals with coal and petroleum has a couple of sentences and a small table which are very pertinent to the things we have been discussing here on petroleum and coal.

The CHAIRMAN. What page?

EXTENT TO WHICH PETROLEUM REQUIREMENTS ARE AFFECTED BY CONVERSIONS FROM COAL

Mr. CASE. Page 167, where it says:

> It has been questioned whether the coal-production plan is sufficiently comprehensive to meet the requirements.

And the last sentence in that paragraph says:

> Finally, and most important of all, is the fact that it presumes (as will be shown in the following section) a very considerable change-over from coal to oil consumption during the next 4 years, the result of which will be the substitution of increased dollar expenditure for fuel oil in the place of the present dollar expenditure for coal.

Then immediately following is a section on petroleum which starts off by saying:

> The expected expansion in oil requirements is among the outstanding features of the plans of the CEEC countries. It results from the intention to convert from coal to fuel oil, the planned mechanization of agriculture, and, to a minor degree, the decrease in motor and air transport.

Then on page 170 is a very short table which shows the total energy consumption, and I think that table, which is only a few lines, should be in the record. It shows, in terms of hard-coal equivalent, the three main sources of energy—solid fuel, petroleum, and hydroelectric power—the total energy consumption of the CEEC countries and

western Germany, from which it appears that coal and lignite are expected to advance from a prewar level of 1938 of 508.7 million metric tons by 1951 to 554.8 million tons, which is an increase of about 10 percent. Petroleum, on the other hand, is expected to increase from the 1938 prewar level of 50 million tons to 81 million tons, or an increase of 62 percent.

(The table referred to is as follows:)

Total energy consumption of the CEEC countries and western Germany

[Millions of metric tons, hard-coal equivalent]

	1938 [1]	1947 [1]	1951 [2]
Coal and lignite	508.7	430.5	554.8
Petroleum	50.5	61.8	81.8
Hydroelectric power	35.6	48.0	63.1
Total energy	594.8	540.3	699.7

[1] CEEC estimates.
U. S. Department of State estimates for the fiscal year 1951–52.

Source: U. S. Department of State, commodity reports.

Mr. CASE. Now, the question arises, in view of the oil problem we had in this country in the past year and the whole petroleum picture, how far the United States should go in financing a conversion from hard fuels to petroleum, which is in the magnitude—to borrow this nice word we have been hearing this afternoon—in a magnitude of 62 percent.

Mr. NITZE. Mr. Chairman, this report of the Economic Commission for Europe is addressed to the original Paris report of the CEEC countries. When it refers to tables 22 and 23, as stated in the CEEC report, that is a report of the Paris meeting last summer. As Mr. Levy testified this morning, those figures were not accepted by the United States.

In October and November, a revision of those figures and estimates by the executive branch were made, which gives this figure which is quoted in the table of 81,000,000 tons in 1951. Subsequent to that time, a new survey was made which resulted in a further cut to the figures to which Mr. Levy testified this morning. So that these figures are not relative to the proposal before this committee.

Mr. CASE. Except for the fact this table has some footnote figures there, and the 1951 figure is shown by reference to the footnote as United States Department of State estimates for the fiscal year 1951–52.

Mr. NITZE. Those are the estimates which were made last October and November, but are not the ones you now have.

Mr. CASE. Can you give us those? What is the present United States Department of State estimate for 1951–52?

The CHAIRMAN. Call off the table and tell us which one it is, and we will try to follow it.

Mr. NITZE. In the year 1951, in table No. 27 on page 170, the figure should be 60 million tons instead of 81.8.

Mr. CASE. For petroleum?

Mr. NITZE. For petroleum.

Mr. CASE. And what for coal and lignite?

Mr. NITZE. I do not have those figures here.

ESTIMATES OF COAL AND LIGNITE REQUIREMENTS OF PARTICIPATING COUNTRIES FOR 1951–52

Do you have the 1951–52 estimate as to coal and lignite requirements of participating countries?

Mr. LISTER. Yes.

Mr. BOYD. It is 2.8 million for the year 1951–52.

The CHAIRMAN. That is exports, but this is their consumption or the proposed consumption of these 16 countries.

Mr. NITZE. The figure I have for the estimated coal production in 1951–52 is 584 million tons, on a ton-for-ton basis. I am not sure that is entirely comparable with the 554.

Mr. LISTER. That is not comparable, because the United Nations figures are on a hard-coal basis, whereas the figures Mr. Nitze just provided are ton for ton, including lignite.

Mr. CASE. And that would be subject to the reduction you made a while ago?

Mr. LISTER. That would be subject to the reduction I made a while ago.

The CHAIRMAN. What would be the comparable figure to the one given here in this table?

Mr. NITZE. I believe the table on page 170 is on a hard-coal equivalent basis.

The CHAIRMAN. It says not; it says, "coal and lignite."

Mr. NITZE. But just above the table it says, "hard-coal equivalent."

Mr. CASE. Also, in that figure Mr. Nitze just gave, he spoke of it as a production figure, and this table is a consumption figure.

Mr. LISTER. The requirements figure, before reducing lignite to hard coal, is 601,000,000 tons, but that should be adjusted to make it comparable.

The CHAIRMAN. The requirements figure?

Mr. LISTER. Yes.

The CHAIRMAN. Now, what is that 584? That is the production, including lignite, or the hard-coal equivalent figure?

Mr. LISTER. That is the production, including lignite, on a ton-for-ton basis.

Mr. NITZE. The 584 figure?

The CHAIRMAN. Yes.

Mr. NITZE. That is production on a ton-for-ton basis.

The CHAIRMAN. You have not any idea what the figure is that goes along with the basis for consumption?

Mr. NITZE. The consumption figure on a ton-for-ton basis is 601,000,000 tons in our estimates for 1951–52.

Mr. WIGGLESWORTH. Instead of the 550 on the table?

Mr. NITZE. That is right. But the 601 has to be reduced in order to take care of the lower heating value of lignite.

Mr. WIGGLESWORTH. How much?

Mr. NITZE. I do not have that here.

Mr. LISTER. That figure can be provided.

Mr. NITZE. But I think it is true our estimates anticipate a much lower petroleum consumption, and the estimate that is made in the CEEC report is, as Mr. Levy testified this morning, not a part of our proposed program.

(The following was submitted later:)

TOTAL COAL REQUIREMENTS FOR 1951 IN CEEC REPORT AND IN EXECUTIVE BRANCH ESTIMATES, IN HARD-COAL EQUIVALENTS

Total requirements, exclusive of dependent overseas territories in 1951, for coal and lignite were estimated in the CEEC report on fuel and power to be 609 million tons, which reduces to 554.8 million tons on a hard-coal basis. The executive branch requirement for 1951–52 is 601 million tons on a ton-for-ton basis, or 8 million tons lower than the CEEC estimate. As the reduction is wholly in hard coal, the executive branch estimate of 1951–52 requirements, on a hard-coal basis, is 546.8 million tons as compared with the CEEC figure of 554.8.

COAL REQUIREMENTS FOR THE NETHERLANDS

The CHAIRMAN. On the Netherlands, you seem to have 2,326,000 tons. You have 42,000,000 people in Italy, and you have 8,000,000 in the Netherlands; nevertheless, the coal set-up here is larger than the coal set-up for Italy. And, on top of that, the petroleum set-up is pretty nearly as big.

I appreciate that the Netherlands is more highly industrialized, but it sounds like something is a little out of plumb. How about that?

Mr. LISTER. If the tonnage shown for the Netherlands were reduced to a per capita basis and that shown for Italy were likewise put on a per capita basis, the requirements for the Netherlands, comparatively, that is, per person, would be much higher.

The CHAIRMAN. Would be six to one.

Mr. LISTER. I do not know what the exact figure is.

The CHAIRMAN. Six to one, about. Of course, there might be considerably more for other purposes, but this shows a larger coal consumption than prewar. It shows less production, and it also shows, evidently, less exports in some way or other. It shows for next year a 3,500,000-ton increase in consumption. I am wondering why that should be.

Mr. LISTER. The reason given for the increase in requirements for the other countries are generally applicable to all of them; that is, a higher rate of production of industrial goods and other goods is required in order to enable these countries to balance their trade and still maintain a standard of living at least equal to prewar.

Mr. WIGGLESWORTH. How did you arrive at that figure of 17,374,000 tons?

Mr. LISTER. That was the figure which the Netherlands Government reported to the Paris conference in August of 1947 as being its postwar requirements for coal, and that figure was broken down by the end uses for which the coal was to be used. It is a figure which we accepted in Washington.

Mr. WIGGLESWORTH. Has any detailed check been made of that, or did you just take it blind?

Mr. LISTER. No. These figures were checked on a number of different occasions.

Mr. WIGGLESWORTH. Who checked them?

Mr. LISTER. You will recall that some of the delegates who prepared the reports at the Paris conference came to Washington so that they would have an opportunity to explain and justify the requirements and production which were shown in the Paris report. Meetings were held with them, at which all of the interested executive agencies

of the Government were present. The delegates were questioned as to the various estimates submitted. Colonel Koenig, who had been head of the Solid Fuels Division under SHAEF, participated; various representatives of congressional committees participated, as well as executive agencies.

Mr. NITZE. Colonel Koenig is now in private industry and is the head of one of the large coal companies. He participated in these conferences with representatives of CEEC who came over here and explained and justified their figures.

Mr. LISTER. The supply shown in 1947, that is, the figure of 13,-993,000 tons shown in the last column there as the available supply in 1947, reflects consumption after taking account of the severe shortage of coal in Europe during 1947 when most of the countries were unable to produce commodities and goods they might have produced had they had enough coal. Now, the increase shown as between 1947 and 1948–49 reflects the improving coal situation, and it will be noted that the improvement in the coal supply shown for 1948–49 takes place after allowing for a lower rate of shipment from the United States in 1948–49 than in 1947; that is, more of the supply of coal available to the European countries will come from European production in 1948–49 than was the case in 1946 and 1947.

Mr. CASE. But in almost every instance, as far as coal is concerned, your available supply contemplated for 1948–49 is substantially above the prewar figure.

Mr. LISTER. That is true. For reasons given in connection with the higher rate of consumption in other countries, it takes into account, in general, the need to produce more so that greater quantities of exports can take place to balance their trade, the need for reconstruction, and the lower quality of the fuel available.

Mr. MALLENBAUM. And you would also add the increase in the population numbers. Before the war they had 8.5 million people, and they expect to have 9.8 million during the first year of the program.

Mr. MAHON. Would not you also add the fact that during the war years there was very little production of many of the things that are necessary to carry on the economy of the country and they have such a vacuum there that some way must be found to fill that vacuum?

Mr. NITZE. Certainly. Last year the bottlenecks on European recovery among the participating countries were the shortage of coal and the shortage of food. Those were the two prime bottlenecks. And in order to make this program a recovery program, it is necessary that those two things be substantially relieved. It looks as though the availabilities this year will make it possible, in considerable measure, to relieve both the extremely tight coal situation and the extremely tight food situation of last year.

The CHAIRMAN. Are there any further questions on the Netherlands?

Mr. STEFAN. The figures here do not jibe with some figures given me on the ECA commodities. Where did they get the figure of ECA commodity estimates for the Netherlands of 2,213 metric tons which was the original requirement, and our figure in the justifications shows 2,326.9? Was that increased from the original estimate?

Mr. NITZE. The estimate that was prepared for the Senate justification?

Mr. STEFAN. It must have been; yes. It is pages 94 and 95 of the ECA commodity estimates. They have a figure here of 2,213, and the figure in our break-down is 2,326.9. I wonder why that discrepancy. Were they changed recently?

Mr. NITZE. No. I believe the figure of 2,713 is the estimates of total imports from the United States, and the figure of 2,326 is the estimated amount that would be financed through ECA funds, and those do not necessarily correspond.

Mr. STEFAN. They do not necessarily correspond here, either?

Mr. NITZE. No.

Mr. STEFAN. 2,213 is a figure we do not have in our justification.

Mr. NITZE. I do not know where the 2,213 comes from.

Mr. STEFAN. You will find it on pages 94 and 95 of the ECA commodities of what it is contemplated during the fiscal year 1948–49 will be our exports. Then it gives a schedule for France of 10,500; Italy, 9,156; Netherlands, 2,213; and my justifications show on the Netherlands 2,326.9. I wondered why the discrepancy there, if there is any.

Mr. NITZE. Under the physical quantities of imports of commodities shown in the brown book, the estimated total shipments from the United States to the Netherlands is 2,713. I think that must be a typographical error.

Mr. STEFAN. Maybe it is. Would that be the same on Belgium; is Belgium 2,383?

Mr. NITZE. The total is 2,083, as the total amount of shipments.

Mr. STEFAN. That must have been a typographical error.

Mr. NITZE. Yes; it must have been a typographical error.

Mr. LISTER. What do you have for France?

Mr. STEFAN. I have France as 10,500.

Mr. NITZE. That is correct.

Mr. CASE. Mr. Nitze, this question may seem a litle irrelevant, but I am constrained to ask it in view of all these figures concerning these various countries of Europe being submitted with a proposal to direct a transformation of their economy from coal to oil, and from one thing to another. Is Rex Tugwell connected with the State Department today?

Mr. NITZE. No. I have not heard of him since he was in Puerto Rico.

Mr. KEEFE. I think he is on Wallace's bandwagon now.

Mr. MAHON. I imagine that he is working for Henry Wallace.

Mr. CASE. At one time he achieved a certain amount of notoriety in this country for having written a poem about rolling up our sleeves to make America over. As I have listened to all these figures, and looked at these charts and contemplated the proposed conversion of the economy of these countries from coal to oil, and this planning for all these countries in this fashion, I thought that somebody must have written another poem about making the whole world over at the expense of the United States.

The CHAIRMAN. They will not have to work any more; our folks will have to do the work.

Mr. NITZE. Mr. Case, these figures were prepared with the thought in mind that we would be able thereby to try to answer some of the questions that this committee and other committees might have; that

it might be a first approximation of information that the administrator might need for him to make a decision, but that this would not be a plan or anything like a blueprint.

Mr. CASE. In all instances where we propose to finance shipments of commodities to these countries, have the countries themselves asked for this much or more?

Mr. LISTER. In the case of coal they have asked for more.

Mr. CASE. Have they asked for the trucks and for the agricultural machinery and for the tractors and for copper and for the tin and for the cotton and the newsprint, and so forth?

Mr. NITZE. I think in the CEEC report they did not cover all the various commodity classifications that are covered in this document. They had a large item of miscellaneous commodities.

Mr. CASE. But this is what the State Department thinks would be good for these several countries?

Mr. NITZE. This is an attempt to analyze and to cut down those items where the availabilities did not make it look as though their requirements could be met; to screen the requirements, to see whether they were actually needed or not. Then with respect to a certain number of commodities, it was an attempt to see what a composition of a miscellaneous category might be. It is not by any means meant to be a plan for the future. It is meant to be a basis on which with new and additional information intelligent decisions might be made.

Mr. CASE. As we go along I, for one, would appreciate it if, when we come to some commodity with respect to a certain country, where the commodity listed does not represent the request of that country, if you would point it out.

Mr. NITZE. I think there is such a commodity processed milk. It was necessary to greatly reduce the contemplated shipments of grain and other agricultural commodities to the European countries below the CEEC estimates of requirements and below what the Department of Agriculture agreed their requirements would be. We could not ship as much grain and certain other foods while there was available in the United States additional processed milk. So they figured, I believe, shipments in excess of the CEEC request. That is the only one that I know of.

Mr. CASE. Of course, we are in a weak situation. If these requests were made with the expectation that the countries making the requests would be called upon to pay, it might result in a different table of requests. But where the request is made with the expectation that the commodities are going to be given, perhaps they are willing to take almost anything that is offered or to write out a list as they would write one for Santa Claus. But, even so, I would like to know in each instance where we are supposed to give them something that they have not asked for, even as a gift.

Mr. NITZE. The CEEC report was not in effect a request; it was a statement of requirements. It was not a direct request. There are certain agricultural items in which our estimates of total imports into those countries are in excess of the CEEC estimates here. Processed milk is one, fresh fruits is another, and dried fruits is another.

Mr. KEEFE. Mr. Chairman, on this general subject, while we are on it, I think it might be well for the record to indicate at this time what is known to almost everyone, and that is that the President has

now named Mr. W. Averell Harriman to be the roving ambassador under this act. The New York Times of today reports Mr. Harriman's return at the request of the President from Bogotá and that he reported the incidents which resulted in the destruction of that beautiful capital. I am interested to note in this article under a Washington date line that this statement is made:

> The capital of Colombia was left like a blitzed European city. A United States insurance man there had estimated the damage at $150,000,000, according to Mr. Harriman.

Further on in the article it says:

> The Commerce Department announced tonight that this Government had assured Colombia that every effort would be made to furnish food, building materials, and construction equipment for the reconstruction of Bogotá.

So in connection with the over-all program perhaps that will be the next item to come before this committee.

Mr. STULL. Was there anything said about the United States paying for the reconstruction? Did it not just say furnish?

Mr. KEEFE. I read it exactly as it is. It speaks for itself.

COAL SHIPMENTS TO CERTAIN EUROPEAN COUNTRIES

Mr. STEFAN. Mr. Chairman, on this coal situation, the figures that I have here for the nine countries—France, Italy, Netherlands, Belgium, Switzerland, Portugal, Denmark, Sweden, Norway, and the French dependencies—indicate that we are being asked to ship over 30,136,000 metric tons of coal. The cost will be approximately $271,200,000. I want to ask Mr. Nitze if that $271,200,000 is for the cost of the coal including the shipping or excluding the shipping.

Mr. NITZE. That is just the cost of the coal.

COST OF SHIPPING COAL

Mr. STEFAN. It would take about 1,100 ships to take that much coal over, would it not?

Mr. WIGGLESWORTH. The break-down that we have been furnished indicates $245,300,000.

Mr. STEFAN. I have some other figures here. I understand there are some typographical errors in them, but I understand it would take 1,161 ships to transport that amount of coal?

Mr. LISTER. It would take about 3,500 ships, using 9,000 tons to the cargo.

Mr. NITZE. 3,500 ship voyages?

Mr. LISTER. Ship voyages is correct. Assuming about nine voyages per ship every year, about 400 ships would be required.

Mr. STEFAN. 3,500 ships; my notation is 1,161, but I suppose those are larger ships, about 20,000 tons, something like that. Your ships would be how large, 10,000- or 15,000-ton ships?

Mr. LISTER. 10,000 tons.

Mr. STEFAN. What would be the shipping cost?

Mr. LISTER. It would vary with destination, but roughly at current shipping rates, about $11 to $12 a ton.

Mr. STEFAN. What would be the approximate cost of shipping that coal?

Mr. LISTER. It would be approximately 330 to 360 million dollars.

Mr. STEFAN. So the shipping cost alone would be $360,000,000 to ship $270,000,000 worth of coal? In other words, the shipping cost more than the coal?

Mr. LISTER. Yes.

Mr. BOYD. The shipping does cost more than the cost of the coal at the pit heads.

Mr. LISTER. That is why we are trying to have Europe become self-sufficient in coal.

FRENCH COAL PRODUCTION

Mr. STEFAN. French coal production is estimated at 53,000,000 metric tons. Is there any reason why France cannot increase her coal production?

In connection with the cost of shipping the coal, are we going to have to pay for all of that freight?

Mr. NITZE. It is estimated that we will only pay in this distribution of ECA obligations $22,000,000 for shipping expense.

Mr. STEFAN. This is all ECA coal, though?

Mr. NITZE. I realize that.

Mr. STEFAN. And it is going to cost $360,000,000 to transport it. Can you not make some deal with them so that they will pay some of that transportation cost?

Mr. LISTER. Some of it is moved in their own ships.

Mr. STEFAN. That is what we would like to know. We want a picture of that.

Mr. WIGGLESWORTH. The figure that you gave us, Mr. Nitze, was for everything, not merely coal, is that correct? That is, $22,000,000 for shipping?

Mr. NITZE. Yes; that is correct, in this illustrative distribution. It may be that the Administrator would cut down the amount of commodities that he financed and increase the amount of shipping.

Mr. STEFAN. I was referring only to coal, because that is the subject that was before the committee this afternoon.

Mr. LISTER. That would be the shipping value, but it would not all be paid in United States dollars.

Mr. STEFAN. That is what we want to know. Can you furnish for the record a break-down showing how much it is going to cost to ship 30,136,000 metric tons of coal to these 10 countries?

The CHAIRMAN. How much does it cost to ship it across, do you know?

Mr. LISTER. $10 to $12 a ton at the present time.

The CHAIRMAN. Do any of them carry the cargo themselves?

Mr. LISTER. Yes.

The CHAIRMAN. Do the French?

Mr. LISTER. The French carry a small proportion of the coal in their own flags. The Italians carry over 50 percent in their own flags. The Scandinavian countries carry even a larger percentage in their own flags.

The CHAIRMAN. Will you put in the record the statement that Mr. Stefan asked for, at this point?

Mr. LISTER. Yes, sir.

(The statement referred to is as follows:)

It is estimated that the total cost of shipping 30,136,000 metric tons of coal to France, Italy, Netherlands, Belgium, Switzerland, Portugal, Denmark, Sweden, Norway, and the French dependencies would be the equivalent of approximately $331,000,000 not all of which would involve dollar expenditures.

The estimates before the committee assume that only $22,000,000 of freight charges for all commodities including coal would be financed by ECA.

NECESSITY OF SHIPPING COAL TO CERTAIN EUROPEAN COUNTRIES

The CHAIRMAN. I am going to ask one question to cover every one of these items and I shall ask you to supply the answer for the record, because I do not think we ought to spend any more time on this coal picture now. We are not getting as good information as I had hoped we might.

We have asked the question about the Netherlands. I will start with Norway. There you indicate a larger percentage of coal than prewar. One of the things that we ought to know is why we are going to do that.

In your picture here you have a lot of coal set up to go to Portugal. That is another case where the amount available is to be double what it was prewar. It does not seem as if that were a prime necessity. I do not know why you have that in there on any such basis.

Now we have Sweden and they have importations of coal involving 6,933,000 tons, nearly as much as the prewar set-up. As I understand, they could pay for it but nevertheless, with the shortage in coal through the world, it would seem that that was a liberal figure.

Then we have Switzerland, with the same figure set up for next year as prewar and practically all imports; 700,000 tons more than last year. I would like to have you answer why they have to have so much.

For Turkey there is none. For the United Kingdom there is none. The amount available for their own use is 16,000,000 tons above prewar consumption and 10,000,000 tons above the 1947 figure, which was padded on account of the extremely cold weather.

Western Germany shows imports of 8,465,000 tons as against none in the prewar period. You do have 30,000,000 tons of exports, but it does not seem as though that import figure was necessary.

I am going to leave it to you to answer that for the record, because I want to finish with this coal picture tonight.

(The information is as follows:)

SELECTED INDIVIDUAL COUNTRY REQUIREMENTS IN 1948–49

Norway.—The requirements for Norway are shown in tables 1 and 2, attached. In 1929 Norway consumed close to 3,000,000 tons; in 1938, 3,100,000 tons; and in 1947, 2,400,000 tons. The requirements for Norway for 1948–49, at 2,550,000 tons, are substantially below those of 1938 and slightly higher than consumption in 1947, which was below requirements owing to the coal shortage. As Norway's population has increased by approximately 250,000 since 1938, her per capita requirements for coal are proportionately lower owing to the development of hydroelectric power. The end uses in which hydro power has made the greatest inroads are public utilities, railroads, and domestic heating.

Portugal.—The data for Portugal are shown in tables 1 and 3. Table 3, in addition, provides a break-down of prewar and postwar requirements by end uses. Portugal's requirements over all are expected to be some 300,000 tons higher than 1938, a 25-percent increase, and roughly 500,000 tons higher than

1947.[1] As population in Portugal has increased by 12 percent since 1938, the over-all increase in Portugal's coal requirements in 1948–49, as compared with prewar, is 13 percent on a per capita basis. Railroads and bunkers account for the major part of the increase in requirements.

Sweden.—Data on Swedish requirements are shown in tables 1 and 4. Sweden's total requirements in 1948–49 are estimated to be over 1,500,000 tons lower than prewar supply. This is attributable to the displacement of coal by hydro power in industrial activities other than iron and steel and in domestic heating. Requirements for coal are lower in spite of a projected general increase in industrial activity.

Switzerland.—Data on Switzerland are shown in tables 1 and 5. Swiss requirements in 1948–49 are 3,300,000 tons as compared with a supply of 3,800,000 tons in 1938. As in the case of Norway and Sweden, coal requirements are lower in spite of a rising level of industrial activity owing to a more than proportionate increase in hydro power, which is displacing the use of coal in the gas and railroad industries and in domestic heating.

United Kingdom.—Data on the United Kingdom are shown in table 6, which shows end-use requirements in both the post and prewar periods. These data indicate that the gas works, railways, electricity, and iron and steel industries are to consume larger quantities of coal than in the prewar period. The use of coal for electric power is 16,000,000 tons above 1938, a 100-percent increase, which is to be attributed to the steady increase in the consumption of electricity, a development common to all European countries owing to the displacement of steam by thermal power and the use of greater quantities of electricity in the home. Iron and steel are expected to consume about 4,000,000 tons more than prewar; the gas works and railways each about 2,000,000 tons more than prewar, and general industrial activities about a million and a half tons more. A substantial decline is expected in consumption of coal for overseas bunkers and for domestic heating. While requirements in 1948–49 are 16,000,000 tons above 1938, they are 10,000,000 tons above actual supply in 1947, a year in which Britain experienced a severe coal shortage and in which production was consequently lower than it might have been. Britain is a case illustrating the need for greater industrial production to permit her to export greater quantities of goods and services to overcome the reduction of external income from the loss of overseas investments.

TABLE 1.—*Available supply of coal for selected countries, prewar, 1947 and 1948–49*

[Thousands of metric tons]

Country	1929	1938	Ton for ton	
			1947	1948–49
Norway	2,975	3,100	2,400	2,550
Portugal	1,400	1,510	1,340	1,830
Sweden	6,926	8,597	6,200	7,133
Switzerland	3,846	3,808	2,500	3,276
United Kingdom	197,700	192,200	198,700	208,500

TABLE 2.—*Norway: Coal requirements, by end use, 1948–49*

	Thousands of metric tons
Gas works	102.5
Railways	330.0
Metal industries	230.0
Other industrial	1,012.5
Bunkers	145.0
Internal navigation	305.0
Domestic	425.0
Total	2,550.0

[1] The supply in 1947 was below requirements owing to the shortage of coal; therefore, 1947 should not be considered a guide to postwar requirements.

TABLE 3.—*Portugal: Coal requirements by end use, 1938, 1948–49*

[Thousands of metric tons]

	1938	1948–49
Gas works	40	55
Railroads	275	400
Electricity	300	300
Industry	625	675
Bunkers	150	330
Domestic	80	70
Total	1,470	1,830

TABLE 4.—*Sweden: Coal requirements by end use, 1938, 1948–49*

[Thousands of metric tons]

	1938	1948–49
Gas works	665	795
Railways	653	670
Electricity	279	475
Industrial, total	3,955	2,760
Of which:		
(*a*) Iron and steel	1,012	1,130
(*b*) Other	2,943	1,630
Bunkers	0	37
Internal navigation	316	205
Domestic and other	2,729	2,191
Total	8,597	7,133

TABLE 5.—*Switzerland: Coal requirements by end use, 1938, 1948–49*

[Thousands of metric tons]

	1938	1948–49
Gas works	810	600
Railroads	159	90
Industrial	1,040	960
Of which:		
(*a*) Iron and steel	NA	172
(*b*) Other	NA	788
Internal navigation	20	20
Domestic and other	1,779	1,606
Total	3,808	3,276

TABLE 6.—*United Kingdom: Coal requirements by end use, 1938, 1948–49*

[Millions of metric tons]

	1938	1948–49
Colliery and miners' coal	16.8	15.7
Gas works	12.1	15.1
Railways	13.5	15.2
Electricity	15.1	31.0
Industrial	54.1	59.3
Of which:		
(a) Iron and steel	17.7	21.3
(b) Other	36.4	38.0
Bunkers	1.3	1.0
Internal navigation	.5	.5
Domestic and other	61.7	57.0
Coke ovens	6.4	6.7
Overseas bunkers	10.7	7.0
Total	192.2	208.5

THE IMPORTATION OF COAL INTO WESTERN GERMANY

The tables showing commodity requirements by country indicate that western Germany, comprising the bizone, French zone and the Saar, expects to import 8,465,000 tons of coal in 1948–49 in spite of a substantial volume of anticipated exports. About 6½ million tons of the 8,500,000-ton figure refers to the volume of interzonal trade, or to the shipments of coal from the British zone to the French zone, from the French zone, including the Saar, to the United States zone, and from the United States zone to the British zone. The three zones as a whole are not likely to import more than 1.5 to 2 million tons in 1948–49. This will consist principally of coal from the Soviet zone to the United States-United Kingdom zones. Coal is imported from the Soviet zone to the United States-United Kingdom zones in order to save transportation. The consuming areas are closer to the Soviet zone than they are to the coal fields in the United States-United Kingdom zones.

EFFECT ON UNITED STATES ECONOMY OF PROPOSED COAL SHIPMENTS ABROAD

The CHAIRMAN. I have one other question I want to ask and I should like to have Mr. Boyd answer it, if possible. Do you think that we are going to be able, without upsetting our own economy, raising the price, or limiting the use by our own people, to supply the quantity of coal that you have indicated would be exported in each of the years 1947–48, 1948–49, 1949–50, and 1950–51 to Europe? Do you believe that we can do that?

Mr. BOYD. Mr. Chairman, provided coal production is maintained without work stoppage, we can do that. We exported more than the amount which is the figure for 1948–49, last year, in 1947, without serious disruption to our own coal economy here. The figure for next year will be less than that.

The United States coal production capacity is in excess of the coal that we have produced in the past. The limitation on production last year was in coal-car supply and we understand that that will be considerably improved next year. So that the adjustment should be better next year than this year, 1948–49 against the 1947 period.

The CHAIRMAN. Are we getting an increased domestic demand?

Mr. BOYD. We produced last year more coal than in any other year but one in our history. There seems to be an increasing demand for coal. That, of course, is partially attributable to increased exports, because we did export over 60 million tons last year. We exported to Europe over 40 million tons.

The CHAIRMAN. Your exports were a good deal more than 40 million tons altogether; were they not?

Mr. BOYD. 70 million tons, I think.

The CHAIRMAN. And that is more than you ever exported before?

Mr. BOYD. That is right. We normally do not export to Europe, but we have other countries that have always taken our coal.

The CHAIRMAN. And domestic consumption was larger?

Mr. BOYD. And domestic consumption was larger.

PRICE OF COAL TO ITALY

Mr. CASE. How did the price of coal delivered in Italy compare with the price of coal delivered from Germany?

Mr. BOYD. I could not give you the exact figures, but I am quite sure that it was considerably higher, because of the transportation costs.

Mr. MAHON. Which are approximately $13 a ton?

Mr. BOYD. Yes; $13 a ton. The cost of the coal at the pit heads in this country are in the order of $5 a ton, or a little over.

The CHAIRMAN. The coal that the Italians carried to Italy themselves did not cost as much as the other; I mean, the transportation charge is not as heavy as ours?

Mr. LISTER. The coal moving from Rotterdam to Italy is about $6 a ton payable in sterling.

Mr. CASE. That is the transportation cost only?

Mr. LISTER. Only the transportation cost.

Mr. CASE. The cost of the Ruhr coal was originally about $10 and then was raised to $15?

Mr. LISTER. The Ruhr coal averages $15 f. o. b. at the German border.

The CHAIRMAN. I have not yet received an answer to the question I asked; perhaps I did not ask it clearly enough.

Mr. NITZE. The cost of shipping coal in Italian vessels is zero in dollars except for the port expenses of the Italian ships. From the dollar standpoint it is an entirely different thing from shipping in United States vessels. I believe the rates that are charged by foreign vessels in this trade are fixed competitively, so that they are about the same.

The CHAIRMAN. You mean that we have to pay those rates?

Mr. NITZE. No. If the Italians ship coal to Italy in Italian vessels, that is an Italian transaction in toto.

The CHAIRMAN. And it is a transaction that does not go through our books or that we have to pay for?

Mr. NITZE. That is correct.

The CHAIRMAN. If they carry coal from here to Italy, the Italian Government pays for that transportation, or somebody in Italy pays for it; we do not?

Mr. NITZE. That is right. Only the bill provides that at least 50 percent of the volume of commodities shipped under ECA must be in United States bottoms. That was an amendment introduced in the Senate and adopted in the House.

The CHAIRMAN. Are there any other questions on coal, at this point?

PERCENTAGE OF UNITED STATES PRODUCTION EXPORTED UNDER PROGRAM

Mr. MAHON. Mr. Chairman, there is one question I would like to have answered. It may be answered in these voluminous reports which we have before us, but it is obvious that it would be impossible for me, and I think for any other member of the committee to learn the details of this whole program in a short time. The economic system of Europe is highly complicated. I think it would take years for us to become fully familiar with it.

What I would like to know is this: For example, with respect to coal, what percentage of our production will be exported under the ECA program? I would like to know what part of our production will be exported other than through the ECA program. That would give me a picture so that I can compare the ECA program with the normal program which is financed through normal channels of trade.

I would like to have the percentage of our production represented by those shipments through ECA and otherwise, so that we could just look at it and see what the picture is over-all.

Also I would like to know, if it is not too much trouble, how that compares with prewar and how it compares with 1947.

I should like that information not only as to coal, but as to the other commodities that are involved.

Is that information generally stated in these tables?

Mr. BOYD. Yes, sir; they are in there.

Mr. WIGGLESWORTH. I think he has already given that information.

Mr. MAHON. Is it given in such a way that it can be found on 2 or 3 pages so that a study can be made of it or do I have to go through all this to find it? I am referring not only to coal but to all the other commodities.

Mr. NITZE. I think that information can be prepared for you.

Mr. BOYD. May I refer to page 16 of the report of the National Resources and Foreign Aid Group, the so-called Krug report? That has a chart in it which gives that information. These figures are not exactly accurate compared with the figures that you have here now but in general order of magnitude it shows total United States production of goods, the gross national product, as against the export programs, and it gives you at a glance the size of our total export program as against our total national product.

Mr. MAHON. Could you reduce those to figures?

Mr. BOYD. That is reduced to figures I think in here and we can put it in the record for you, if you care to have it.

Mr. CASE. I should like the same kind of information, but relate it to the actual figures in the estimates before us, rather than on the basis of that report. Could you do that?

Mr. BOYD. I think we could do that. That would only call for a minor adjustment.

The CHAIRMAN. I think what Mr. Mahon wants is an over-all analysis of this whole picture with all the items that are involved and we will expect someone to be ready with that information before we close these hearings.

Mr. CASE. I think also we ought to have the same kind of picture to translate this program into terms of the prewar industrial level of the recipient countries.

The CHAIRMAN. That is probably correct. We will have to get that before we get through, somehow.

Mr. NITZE. That sounds to me like a job which may be beyond our capacity to do. We will look into it and see.

The CHAIRMAN. We will get it the best way we can before we get through.

FRIDAY, APRIL 23, 1948.

AGRICULTURAL REQUIREMENTS UNDER ECONOMIC COOPERATION PROGRAM

STATEMENTS OF N. E. DODD, UNDER SECRETARY; O. V. WELLS, CHIEF, BUREAU OF AGRICULTURAL ECONOMICS; RALPH S. TRIGG, ADMINISTRATOR; F. B. NORTHRUP, DIRECTOR, PRICE SUPPORT AND FOREIGN SUPPLY BRANCH; J. M. THOMPSON, CHIEF, ECONOMICS DIVISION; F. M. RHODES; ASSISTANT TO ADMINISTRATOR, PRODUCTION AND MARKETING ADMINISTRATION; FRED ROSSITER, ASSOCIATE DIRECTOR, OFFICE OF FOREIGN AGRICULTURAL RELATIONS; AND NATHAN KOENIG, EXECUTIVE ASSISTANT TO THE SECRETARY, DEPARTMENT OF AGRICULTURE; WILLIAM L. BECK, CHIEF, INDUSTRIAL MACHINERY SECTION; A. SUFRIN, CHIEF, FARM MACHINERY SECTION, OFFICE OF DOMESTIC COMMERCE, DEPARTMENT OF COMMERCE; D. A. FITZGERALD, ECONOMIC COOPERATION ADMINISTRATION; AND W. S. SURREY, DEPUTY ASSISTANT LEGAL ADVISER, STATE DEPARTMENT

GENERAL STATEMENT

The CHAIRMAN. Mr. Dodd, we have before us an estimate for the operation of ECA. I understand that you have taken over the job of supervising the agricultural end of the picture.

Mr. DODD. I do not know that it is quite all of that, Mr. Chairman. There is a good deal of supervision in it; that is, as to getting together figures as to availabilities of supplies and what it would do to our economy.

The CHAIRMAN. Have you had charge of that part of it that relates to the requirements of these countries, or what might be done for these countries?

Mr. DODD. Mr. Northrup, who has headed up the section for the Secretary's office, has been working with the man that heads up our Office of Foreign Agricultural Relations, and has actually been in charge, although we have sat with him all through from the time of the Paris meeting last fall.

I have prepared, Mr. Chairman, a short statement as to the way this thing looked to us and I can read that, if you wish.

The CHAIRMAN. I think you should and we should be glad to have you do so at this time.

Mr. DODD. I am glad to have this opportunity to discuss with you some of the agricultural aspects of the Economic Cooperation Act of 1948. Agricultural products will constitute about one-half of the total value of anticipated exports from the Western Hemisphere to western Europe during the first 15 months of this program. So, I know you are interested in getting a clear picture of the food situation. We of the Department of Agriculture will give you all possible cooperation.

In making preparations for this appearance, I have been mindful of the fact that members of this committee are familiar with the De-

partment's statements regarding European aid before the House Foreign Affairs and Senate Foreign Relations Committees, and that material presented in those statements is available to you.

I think it important, however, to reemphasize the major points of that testimony. They were:

(1) That in terms of the needs of the European nations, their stated food requirements were shown by our analyses to be reasonable and conservative. Had all their stated requirements been met the average European diet would still have been far below prewar.

(2) That although we reduced their import requirement figures for most food items, this was done only because it appeared that supplies in the exporting nations would be insufficient to fill those requirements and still meet obligations in other parts of the world. Nevertheless, the reduction in many food items was great. In spite of some recent increases over our earlier estimates we have still cut the European nations' grain import figure by 21 percent. Their rice figure is reduced by 60 percent, oil cake and meal by 37 percent, fats and oils 20 percent, meat 28 percent, cheese 10 percent, and eggs 31 percent.

(3) Our final point was that the amount of each major food commodity which we estimated as available from this country to European nations could be supplied without any reduction in the present high level of the American diet.

That is, assuming that we have anything like a normal producing summer.

Today it would seem that my greatest contribution would be to bring you up to date on developments in the world food picture since the earlier material was prepared. As the winter has progressed the prospect for fall sown crops has become much clearer. Intentions-to-plant reports and moisture conditions give new indications of what we might expect from spring planted crops. Communications from our agricultural attachés in foreign countries are continually providing us with new information about crop conditions and food supplies in both importing and exporting nations. So we have revised our estimates of food supplies to reflect conditions as of March 1948. Though these figures are somewhat more reliable than the earlier ones, the food picture can still change a great deal between now and harvest time.

In order to get this food picture in as simple a form as possible, we have prepared two tables which are attached. The data used are the same as that provided in the executive agencies' budget justification already presented to you, except that we have used normal United States measures such a bushels and pounds instead of the international language of metric tons. Table 2 is the one to which I should like to direct your special attention. It shows, for both April–June 1948 and the fiscal year, July 1948 to June 1949, the important changes which we have made in our agricultural estimates since our testimony before the House Foreign Affairs and Senate Foreign Relations Committees.

As you know, food planning on the magnitude provided in this program can best be done on the basis of a crop year—which incidentally approximates, in most cases, the fiscal year.

The detailed figures which we are using on food, therefore, are presented and analyzed on a 15-month basis. The conversion from

a 15-month commodity program to a 12-month appropriation has been presented to you in previous testimony.

Now let's turn to the program for the 3 months—April through June. Here again this is the last quarter of a crop year, and we don't have statistics on the exact quantities of food in the European countries. So it is difficult to present a complete food picture for this short period. On the other hand, we now know much more precisely than we did last fall the quantities of the important agricultural commodities which are available for shipment from the exporting nations to western Europe. Last fall, you recall, grain harvests in Europe were so low that it seemed impossible for western Europe to get through the crop year without extremely serious curtailment in their bread rations. On the basis of this outlook, several nations reduced their rations soon after harvest. A number increased their extraction rate and began to add more corn and other coarse grains to their flour. Plans were also laid for a considerable curtailment of livestock.

Through several fortunate developments it now appears that if all the exporting nations give maximum possible assistance most of the western European countries can get through until harvest without further reduction in their bread rations.

If you will look at table 2 you will notice several changes in our estimates of grain export availability over those of last fall.

In bread grain (column 1) there is only a fraction of a percent change in the export availability. The important changes are in the coarse grains (column 2) where the figures are almost double the earlier estimate. This is basically due to two factors: First, the Argentine is now exporting grain at a rate about twice that of a year ago; and, second, increasing shipments have come out of the Soviet Union. You will note that when you add coarse and bread grains together to get a figure for total grains (column 3) there is only about a 13-percent increase in imports.

In spite of the success of our conservation program in this country, you will note very little increase in figures on grain exports from the United States. The reason is simple. Last fall we had to use our best judgment, and that judgment was that the conservation program would succeed. However, if crop prospects continue to improve so that carry-over can be reduced below the planned level, we may be able to export somewhat more than now planned. That will depend in part on whether the Congress removes the present mandatory wheat carry-over of 150,000,000 bushels, and in part on what we learn from the stocks-on-hand grain report on April 23, and the first crop report covering both spring and winter wheat which will be out May 10 at 3 o'clock.

For other commodities the table shows that there have been a few increases and decreases for this 3-month period. But from the standpoint of the number of dollars required for this appropriation, the net effect is not very significant.

To summarize the outlook for the next 3 months, it now appears that with the assistance indicated in this program the peoples of western Europe will get through until harvest time with less suffering than we expected last fall. But many will still be getting less food than they were a year ago.

I should like to direct your attention for the balance of this discussion to changes in the outlook for the 12-month period beginning next July 1. In this connection, I think it important to remind ourselves that we are here providing estimates of imports from each source of supply to western European nations based upon estimates of winter grain crops yet to be harvested and spring crops which have not yet all been planted. However, we have attempted to assemble for you the most up-to-date information on both the probable need in the European nations and the possible export availabilities in surplus-producing nations.

In general, we believe that world food prospects have improved since our original estimates of last fall. Grain crops which had just been planted at that time are now well along. Although, as I said in the beginning, adverse weather could still change the situation, the general picture is better. While figures on acreage of spring crops planted and yet to be planted are not available, moisture conditions and planting schedules are generally favorable. This comment applies to crop prospects both in western Europe and in the exporting nations.

Now let's turn to specific commodities, the most important of which is grain.

GRAIN

You will note from table 2 (in the fourth column of figures) that our estimates of the participating countries' own production has increased very little. It should be borne in mind, however, that our original estimates on this score were much higher than those made by the European countries in the Paris Conference.

On imports, however, our estimates show an increase of some 67,000,000 bushels, or about 8.8 percent. Of this about 34,000,000 bushels represent an increase in the estimated availability from the United States.

Our original estimates for 1948–49 were based upon a projected total export from the United States of all grains to all countries—including countries outside Europe—of 400,000,000 bushels. Our revised estimates are based on total United States exports of 475,000,000 bushels. At this time we cannot indicate to you how much of this total grain export will be in wheat and how much in other grains. We do believe, however, that the recent report of our winter wheat crop, plus reports on farmers intentions to plant for other grain crops, should enable us at this time to safely assume a total grain export of about 475,000,000 bushels. By way of comparison, our current program for this year—1947–48—calls for the export of 556,000,000 bushels of grain, while last year we exported about 575,000,000 bushels.

So next year's grain exports, as now estimated, call for 80 to 100 million bushels less than the preceding 2 years.

Mr. MAHON. Are you talking about fiscal years now?

Mr. DODD. I am talking about marketing years, the marketing year being approximately the fiscal year; that is, the beginning of the wheat marketing year starts July 1, the corn marketing year comes on a little bit later.

The CHAIRMAN. With reference to your figures, the difference between 575,000,000 and 556,000,000 is only 19,000,000.

Mr. DODD. Our figure is 475,000,000 that we would safely be able to export. We could export 475,000,000.

The CHAIRMAN. You said:

By way of comparison, our current program for this year—1947-48—calls for the export of 556,000,000 bushels of grain while last year we exported about 575,000,000 bushels.

Mr. DODD. That is for this year, we are shipping 556,000,000 bushels. A year ago we shipped 575,000,000 bushels. We think next year 475,000,000 bushels would be a safe figure. That is 100,000,000 less than a year ago and 75 or 80 million less than this current year.

Mr. WIGGLESWORTH. Out of what over-all production? Does your statement show that somewhere?

Mr. DODD. It shows it in the tables. I do not believe I have set it out in my statement, but it shows it in the tables. It is about 5 percent of our total production.

Mr. WIGGLESWORTH. For the ensuing year?

Mr. DODD. Yes, sir.

Mr. WIGGLESWORTH. Then 475,000,000 bushels is roughly 5 percent of the anticipated over-all production?

Mr. DODD. The anticipated over-all production; that is correct.

Mr. MAHON. But it would be only fair to say that a much larger percentage than 5 of our total wheat production would be exported, would it not?

Mr. DODD. If we had 1,100,000,000 bushels of wheat—I think the winter crop estimate on April 10 plus a reasonable spring wheat crop would give about 1,100,000,000 total——

The CHAIRMAN. You do not mean that the grain production is something like 10,000,000,000 bushels?

Mr. DODD. Normally the corn crop is something above 3,000,000,000. Then you have your oats crop, a billion and a half, something over a billion in wheat, and you have your barley production and the others. It is a little better than 5 percent of our total.

The CHAIRMAN. I think it is stretching it a little.

Mr. DODD. Mr. Chairman, what I meant by the 5-percent statement is that the grain that we have in here for the European nations (the 475,000,000 does not all go to European nations) would be about 5 percent of our grain crop.

The CHAIRMAN. Then all of the 475,000,000 bushels would not go to Europe?

Mr. DODD. No; you have South America and India and China and the Philippines and Hawaii, and so forth.

Mr. WIGGLESWORTH. I thought you told me that the 475,000,000 bushels was 5 percent of the anticipated over-all production?

Mr. DODD. I am sorry I left that impression.

Mr. WIGGLESWORTH. What is the fact?

Mr. DODD. The grain that we anticipate would go to Europe, which is about 60 percent of the total amount of all shipments, is about 5 percent of our total grain production.

Mr. WIGGLESWORTH. In other word, your over-all exports would be——

Mr. DODD. Four hundred and seventy-five million of which about 60 percent is in the European figures and the other 40 percent would go to other countries than ERP countries.

Mr. MAHON. Then the total export of grain would be in the range of 10 percent?

Mr. DODD. It would be a little less than 10 percent, 8.8 or 9 percent, something like that.

Mr. WIGGLESWORTH. Nine percent over-all?

Mr. DODD. Yes.

Mr. NORTHROP. The figure is 8.4 percent of the total production.

Mr. DODD. I am told that 8.4 percent is about the correct figure.

Another significant increase is in the estimate of shipments from the U. S. S. R. The new estimate is based on new knowledge of agreements and commitments made by the Soviet Union since last fall, several of which will not be carried out until after July 1.

There is also a 9,000,000-bushel increase in the Canadian figure, which reflects the Canadian Government's recent appraisal of their wheat prospects.

Our over-all estimate last fall that the world grain picture for 1948–49 would be some better than it has been in the present year continues to look like a sound conclusion. Western European crop prospects are better, Australia has harvested a record crop, Argentina is shipping more, and increasing quantities of grain are beginning to move out of eastern Europe. However, even if the present prospects materialize, there will be a sizable grain deficit in western Europe.

In appraising these improvements in the grain picture it must be remembered that much of western Europe's agriculture is built around livestock production and is basically dependent on imported feed supplies. So far, emphasis has necessarily been on grain for human consumption. But we hope, as the program progresses, that feed supplies will be sufficient to allow western Europe to rebuild its meat and milk production.

BEANS AND PEAS (PULSES)

An increase of about 18 percent—or some 92,000 tons—has been estimated in imports into western Europe of beans and peas. Of this increase 47,000 tons are from the United States. This is due to revisions of our estimates of United States exports needed by nonparticipating countries based on recent world supply figures. It does not involve any change in the total exports of beans and peace from this country.

FATS AND OILS

The over-all change from the original figures on fats and oils is not very significant. This still remains one of the major items in tight world supply. We have indicated a decrease of about 66,000,000 pounds in estimated exports from the United States to participating countries.

This is largely based on the decrease in our lard production. The United States is not a substantial exporter of fats and oils and exports of this size would be only 2.6 percent of our total expected production. These exports will be more than offset by imports into the United States from other areas.

SUGAR

For the first time since the end of the war it now appears that sugar supplies in the exporting nations are adequate to furnish all that importing nations are willing to buy with their scarce foreign exchange. Cuba is now harvesting another bumper crop which may equal last year's record. This improvement in the world prospects explains in part the increase in the import figures shown in table 2. Part of it is also due to the fact that Europe's sugar beet harvest, which was completed in early winter, was not quite as large as expected.

MEAT

Though there are no significant changes in the meat figures, we should possibly reemphasize the fact that the United States does not plan to export any meat to Europe—other than a little horsemeat—except that taken by the Army for military purposes. The world meat situation promises to continue tight for some time.

OTHER COMMODITIES

For the other commodities the changes from the estimates of last fall are not significant in the total food picture. Mention might be made, however, of a fairly substantial increase in Europe's own production of certain dairy products. This estimated increase reflects very largely the favorable pastures during this last winter in western Europe, which enabled many countries to hold the level of dairy cows above the number envisioned last fall when the size of the grain reduction became evident.

You will note that the United States plans to furnish the participating nations with sizable quantities of processed milk, whereas, prewar we shipped them practically none. Part of the increase is condensed and evaporated whole milk which we take off the market during flush seasons. But the great majority of it is nonfat dry milk powder. This has an interesting explanation. Before the war many of our farmers separated their milk at home and sold only the cream. In recent years this practice has greatly decreased. Commercial concerns buy the whole milk, and if they take out the fat for butter purposes, use the rest to make nonfat dry milk powder. We have much more of this powder than we need at home, and it is making an important contribution to the European diets. It has not, however, begun to offset Europe's own low milk production. Per-capita supplies of total dairy products in western Europe are still far below prewar.

Although our revised estimates show a substantial decrease in export of eggs from this country, this has been more than offset by an increase in the estimate of Europe's own egg production. Poultry and egg production has become considerably more profitable in certain European countries in recent months and this has brought about an increase in chicken numbers.

At this point I am sure you will wish to know something about the Department's views concerning those foods and other agricultural commodities which we produce in this country in amounts sufficient to allow for a substantial export market and which are now in rela-

tively adequate supply. At the moment this includes such commodities as dried fruits, certain fresh fruits, tobacco, and cotton. Our revised estimates of availabilities of these commodities have not changed significantly from those made last fall. These estimates have been made on two basic assumptions—first, that we would endeavor to meet at least the stated requirements in the original Paris report for these commodities; and, second, that this program would provide a reasonable resumption of export trade to Europe for these United States commodities which historically have enjoyed a substantial European market. We know, of course, that European nations need sizable amounts of these commodities from us, and would like to buy them, if they have sufficient dollars.

To aid you in evaluating the indicated quantities of exports of these commodities I might mention that the figures for both dried and fresh fruits are about the same as these countries took from us before the war, but somewhat higher than recent years. The tobacco figures are about the same as recent years—a period during which no United States tobacco was exported to occupied areas. Plans for small shipments to occupied areas are included in the figures before you. As to cotton, United States exports of this size will give us just about the same portion of the western European market that we had before the the war.

The Congress, in Public Law 472, section 112, has prescribed a fairly precise procedure under which both the Secretary of Agriculture and the Economic Cooperation Administrator shall proceed in programing exports of commodities such as these. A sincere attempt will, of course, be made by the Department of Agriculture and also, I'm sure, by the Economic Cooperation Administration, to analyze the needs and desires for each of the European countries in light of the intent of Congress with respect to these commodities, so that proper amounts of such commodities may be made available.

TIMBER

Timber is a key item needed by the European nations for the rehabilitation of railroads, freight cars, and other transportation structures; for pit props in the coal mines; and for the rehabilitation of factories. Most of its import needs will have to be met from countries other than the United States. The figures before you for shipment from the United States to participating countries have not been changed since our earlier estimates. They involve only between 1 and 2 percent of our expected production.

Now a word about farm machinery and fertilizer. These are the two major items which we will supply to help Europe restablish its own agriculture, and, hence, relieve some of the pressure on us for food. So they deserve particular emphasis.

FARM MACHINERY

The Department of Commerce is the major source of Government information on farm machinery. They have some recent estimates on production in this country and the export picture which they will give you tomorrow. I would, however, like to add a footnote to their statement.

As has been pointed out before, we reduced the machinery-import requirements drawn up by the Paris conference very drastically. For the first year of the program we cut them more than 50 percent.

It is now estimated that in the next 15 months the United States will export about 8 or 9 percent of its 1948 estimated production of farm machinery, including industrial tractors, to the ERP countries and their dependent overseas territories. Though this is more than we sent to those countries last year, the increase should be more than offset by expansions in the manufacturing-plant capacity in this country. So our farmers should actually get more new machinery next year than they have been getting. I can tell you from personal observations that adequate kinds and amounts of farm machinery—and particularly repair parts—can make all the difference in the world in the rate of European agricultural rehabilitation.

Mr. MAHON. You said that we would export 8 or 9 percent of our farm-machinery production to ERP countries?

Mr. DODD. That is right.

Mr. MAHON. Could you add at this point what the percentage would be of our total farm-machinery export to all countries?

Mr. DODD. About 24.5 percent. That would include South America and the Far East.

Mr. MAHON. How does that compare with last year and prewar?

Mr. DODD. Mr. Northrup can look up that figure and give it to you in a moment.

Mr. KEEFE. Do I understand that the figure is approximately 25 percent of our production which represents our total exports to all countries?

Mr. DODD. To all the world; that is correct.

Mr. STEFAN. When were those figures changed?

The CHAIRMAN. They were not changed.

Mr. STEFAN. He admits that the Commerce Department is the source of his information on farm machinery and I read into the record on yesterday a statement from the Commerce Department. Someone has said that that figure was changed from 25 percent to 8 percent. Here we have a figure of 24.5 percent.

Mr. DODD. I think it is 8 percent to ERP countries.

Mr. STEFAN. When was that changed?

Mr. DODD. It has not been changed as far as we are concerned.

Mr. CAWLEY. Mr. Stefan, I have two representatives here from the Department of Commerce and if you would like to delve into that matter at this time, I can call them in.

The CHAIRMAN. We will not get into that until Mr. Dodd finishes his statement. We will get into that in detail after a little while, but I do not think we ought to interrupt further the general statement. Will you proceed, Mr. Dodd?

Mr. DODD. We have worked very closely wih our farm-machinery industry in preparing these export estimates. As presently planned, we will only ship such machinery as the farmers of France and England and the other western European countries will buy through normal trade channels. This is no Government distribution program. The figures presented represent in part what our manufacturers, with years of experience in the European field, think the European farmers will need and buy, and in part what those manufacturers think they

can afford to send to Europe without treating unfairly the farmers of this country and their customers in other parts of the world.

FERTILIZER

Turning to fertilizer, it should be noted that Europe's soil was badly depleted of plant food during the war—both by a shortage of commercial fertilizer and by the reduction of livestock numbers which cut down on manure supplies. The most important current shortage is in nitrogen. Most of Europe's nitrogen supply will come from her own expanding domestic production and from import sources other than the United States. Though we do not expect to increase our nitrogen shipments any, the figures before you call for continuing our shipments to western Europe for the next 15 months at about the present rate. We also propose to continue shipments of phosphate rock at about the present rate which is less than one-third of our prewar exports to those countries. We have not traditionally exported any potash to Europe and none is included in this program. There has been no change in these fertilizer figures since our earlier estimates were made.

Those are the main agricultural items included in this program.

To evaluate this food program I think we might ask: What kind of a diet will it provide for the participating nations? The general answer is: Somewhat better than in recent years, but still far below the quality of their prewar diet. We have been discussing Europe's production and imports in comparison with prewar. It should be remembered that there are now 10 percent more people in western Europe than there were before the war. So, even if food supplies were up to prewar they would still provide a 10-percent smaller diet.

To get a more specific answer to this diet question turn to table 1 and look at the last three lines. This shows the average per capita quantity of each major food item which will be available in western Europe next year, if all our assumptions on their production and their imports from various countries come true. You will note, for example, that the per capita supply of grain will be about 88 percent of prewar—even though grain is now a much more important item in the diet than it was before 1939.

Moving on across the line at some of the other more important commodities you note that per capita supplies of beans and peas will be 86 percent of prewar, sugar 89 percent, meat 71 percent, cheese 76, eggs 75, fresh fruits 90, dried fruits 86, tobacco 84, and cotton 79 percent of prewar.

As to our own economy, I think you gentlemen realize that except possibly for meat the food picture in this country is continuing to improve. The major items now in short supply are feed grains, meat, and fats and oils. One good corn crop could completely change the feed situation. In fact, a normal crop would give us a supply of feed grains per head of livestock well above average. The United States livestock situation also reflects a decrease, over several years, in breeding stock. It will take a year or two before improved corn supplies can have full effect on our meat production, since it will first have to cause an increase in breeding. As I mentioned earlier, this program does not involve any export of United States meat. The fats and oils crisis seems definitely to be past its peak and has been im-

proving for some time. So from the standpoint of consumers, I can see very little, if any, sacrifice involved in this program. Though precise comparisons are difficult, a glance at the figures will show that this program involves less food shipments from the United States to western Europe than we have been making in the past 2 years.

From the standpoint of our farmers I say to you frankly, as I have to many other groups, that the net effect of this European recovery program should be definitely to the good. As you know, we are working with the House and Senate Agricultural committees in attempting to develop a long-range agricultural program—one that can give our consumers a continuing abundance and our farmers a good living. It has become increasingly clear as our studies progress that we will need a sizable self-supporting foreign market. Western Europe has long been our major farm market—taking from two-thirds to three-fourths of our total agricultural exports. It is the logical market for the years to come. So, although the first justification of this program is its contribution to human freedom and peace, we cannot be unmindful of what it means to the farmers and other workers of our Nation.

As I indicated in the beginning, I have merely tried to give you some evaluation of the quantities of agricultural products involved in this program. I have purposely stayed away from dollars, since that is a matter of balance of payments and can best be handled by others in the executive branch. I can only say that our people in the Department of Agriculture have spent many months of hard work in a careful development of the food figures which are before you. It is our judgment that the diets provided by the quantities of food indicated are about as low as we could dare go without jeopardizing the success of the entire undertaking. Further, it is our hope that as the program progresses the diets can be gradually improved—particularly in livestock products and other protective foods. Progress in that direction will depend upon future developments in the world grain picture.

I know, Mr. Chairman, that I have only sketched the broad outline of the food aspects of this program, but I expect this is about as far as I should try your patience with a prepared statement. My colleagues and I here from the Department will be glad to attempt to answer any questions that you may care to ask, or to prepare any additional material which you may want.

TABLE 1.—*Summary of selected food and other items in the European recovery program for participating countries (excluding dependent overseas territories) 1948–49 (United States estimates)*

	Total grains	Rice	Oilcake and meal	Pulses	Fats and oils	Sugar	Meat (including horse-meat)	Cheese	Processed milk	Eggs (shell equivalent)	Fresh fruit	Dried fruits and nuts	Tobacco	Cotton
	Million bushels	*Thousand 100-pound bags*	*1,000 metric tons*	*1,000 long tons*	*Million pounds*	*1,000 short tons*	*Million pounds*	*Million pounds*	*Million pounds*	*1,000 cases*	*1,000 short tons*	*1,000 short tons*	*Million pounds*	*1,000 bales*
Indigenous production, total	3,053	11,133	325	1,491	4,971	3,939	14,200	1,524	638	69,433	12,966	1,067	531	327
As percent of prewar [1]	[2] 99.6	85.3	361.1	87.5	80.8	97.8	71.6	70.8	57.8	76.9	95.0	80.4	105.6	102.9
As percent of 1947–48	[2] 122.0	119.7	130.0	105.6	103.8	115.0	107.8	106.2	125.3	112.5	101.6	95.1	100.4	(3)
Imports, total	843	3,086	2,750	614	5,243	3,634	4,129	556	786	11,711	3,498	543	712	6,040
As percent of prewar [1]	91.0	13.0	(3)	123.1	61.2	82.8	105.8	112.6	245.9	90.9	107.6	134.7	93.6	85.3
As percent of 1947–48	[2] 113.9	250.0	116.3	100.6	108.9	132.0	99.5	104.7	103.3	75.9	128.2	121.1	116.2	(3)
As percent of CEEC estimate	79.4	39.8	62.3	(3)	80.1	108.0	72.0	90.4	148.5	69.1	112.9	108.4	[4] 130.8	(3)
From United States	285	419	198	195	256	204	99	198	628	1,519	372	133	437	2,397
As percent of prewar [1]	(3)	76.0	78.0	(3)	154.7	313.6	109.8	(5)	(6)	(5)	(3)	(3)	148.9	73.3
As percent of 1947–48	[2] 76.5	237.5	107.0	(5)	50.9	136.0	97.8	100.0	100.0	17.2	(3)	(3)	108.7	(3)
As percent of production	[2] 4.8	1.9	2.5	19.5	2.6	4.8	.4	16.5	14.7	.9	2.1	24.2	28.4	20.0
As percent of United States total exports	[2] 60.3	5.3	81.1	78.0	39.6	81.5	57.0	94.7	57.0	44.3	53.1	86.4	84.0	68.5
From Canada	221	0	0	30	26	0	278	49	53	2,646	171	1	15	0
As percent of prewar [1]	(3)	0	0	(3)	120.0	0	159.5	71.0	300.0	(6)	(3)	(3)	107.7	0
As percent of 1947–48	[2] 123.9	0	0	(3)	(3)	0	71.2	95.7	114.3	91.5	(3)	(3)	102.9	9
From other Western Hemisphere	174	661	1,176	69	750	2,225	2,041	13	0	196	230	1	44	1,090
As percent of prewar [1]	(3)	250.0	(3)	(3)	85.0	149.2	127.9	(5)	0	133.3	(3)	(3)	51.9	(3)
As percent of 1947–48	[2] 146.0	187.5	118.7	(3)	115.0	131.7	98.4	85.7	0	133.3	(3)	(3)	69.9	(3)
From other nonparticipating countries	156	838	427	94	1,246	151	1,331	234	29	3,234	1,045	109	22	1,904
As percent of prewar [1]	(3)	3.6	(3)	(3)	51.4	10.0	122.5	101.9	162.5	91.7	(3)	(3)	10.2	(3)
As percent f 1947–48	[2] 232.8	190.0	101.2	(3)	67.2	53.9	103.4	100.0	118.2	124.5	(3)	(3)	105.3	(3)
From other participating countries	5	1,168	40	122	615	61	36	62	76	3,920	716	277	104	0
As percent of prewar [1]	(3)	(3)	(3)	(3)	32.8	15.7	37.9	31.8	27.0	42.8	(3)	(3)	94.0	0
As percent of 1947–48	[2] [7] 182.5	(3)	200.0	(3)	[7] 164.0	[7] 191.6	121.5	188.7	138.0	400.0	(3)	(3)	151.6	0
From dependent of seas territories	2	0	909	104	2,350	993	18	0	0	196	964	22	90	649
As percent of prewar [1]	(3)	0	(3)	(3)	74.0	105.9	(3)	0	0	(5 3)	(3)	(2)	211.3	(3)
As percent of 1947–48	(5)	0	121.8	(3)	(7)	(7)	(3)	0	0	(3)	(3)	(3)	205.0	(3)
Exports, total	12	1,565	40	122	877	245	478	91	166	4,018	784	415	236	0
As percent of prewar [1]	(3)	29.6	18.6	122.8	36.7	25.7	55.6	36.4	34.5	42.1	76.5	88.5	135.4	0
As percent of 1947–48	[2] 195.6	443.8	200.0	210.2	97.1	112.1	121.2	159.6	269.6	372.7	88.5	94.5	174.6	0

Supply, total	3,884	12,654	3,035	1,983	9,337	7,328	17,851	1,989	1,258	77,126	15,680	1,195	1,007	6,367
As percent of prewar [1]	96.4	40.1	(3)	94.2	75.8	98.2	78.1	83.0	144.4	82.4	98.8	98.8	92.5	86.3
As percent of 1947–48	120.4	124.2	117.0	101.0	107.3	123.0	105.4	104.1	104.1	101.4	107.3	105.7	100.1	(3)
As percent of CEEC estimate	97.5	74.2	62.9	(3)	492.3	103.4	93.0	87.1	127.1	93.5	(3)	99.2	110.4	(3)
Per capita consumption (pounds)	683.8	4.6	24.5	16.2	34.1	53.6	65.3	7.3	4.6	12.7	114.7	8.7	3.7	11.2
As percent of prewar [1]	87.9	36.5	(3)	85.7	69.0	89.5	71.2	76.0	131.4	75.1	90.1	86.1	84.1	78.9
As percent of 1947–48	119.5	121.1	116.1	100.7	106.2	122.1	104.6	104.3	102.2	100.8	106.5	104.8	100.0	(3)

[1] Prewar means 1934–38, average, except tobacco 1935–39.
[2] These percentages are calculated on a bushel basis. Other percentages calculated from original estimates in metric tons.
[3] Not available.
[4] CEEC estimates omit import requirements for France, Iceland and Western Germany.
[5] None in prewar period.
[6] Only 1 in prewar.
[7] Other participating and DOT combined.
[8] None in 1947–48.

TABLE 2.—*Production, imports, exports, supply and consumption of selected foods and other items for participating countries (excluding dependent overseas territories), European recovery program, comparison of estimates, fall 1947 with spring 1948, for April–June 1948 and 1948–49*

	Bread grains	Coarse grains	Total grains		Rice		Oilcake and meal		Pulses		Fats and oils		Sugar		Meat (including horsemeat)	
	April–June 1948	April–June 1948	April–June 1948	1948–49	April–June 1948	1948–49	April–June 1948	1948–49	April–June 1948	1948–49	April–June 1948	1948–49	April–June 1948	1948–49	April–June 1948	1948–49
	Million bushels	*Million bushels*	*Million bushels*	*Million bushels*	*Thousand 100-pound bags*	*Thousand 100-pound bags*	*1,000 metric tons*	*1,000 metric tons*	*1,000 long tons*	*1,000 long tons*	*Million pounds*	*Million pounds*	*1,000 short tons*	*1,000 short tons*	*Million pounds*	*Million pounds*
Indigenous product:[1]																
March 1948 (a)	(2)	(2)	(2)	3,053	(2)	11,133	(2)	325	(2)	1,491	(2)	4,971	(2)	3,939	(2)	14,200
Fall, 1947 (b)	(2)	(2)	(2)	3,030	(2)	11,133	(2)	325	(2)	1,474	(2)	4,916	(2)	3,939	(3)	14,270
Percent change (c)	(2)	(2)	(2)	1.0	(2)	0	(2)	0	(2)	1.2	(2)	1.1	(2)	0	(2)	−0.5
Imports, total (a)	176.4	64.2	240.6	843	286	3,086	679	2,750	103	614	1,166	5,243	1,119	3,634	1,051	4,129
(b)	176.1	33.5	209.6	776	286	3,086	679	2,750	121	522	1,181	5,432	842	3,368	1,065	4,262
(c)	0.1	92.1	12.9	8.8	0	0	0	0	−14.6	17.7	−1.3	−3.5	33.0	7.9	−1.3	−3.1
From United States (a)	84.8	5.3	90.1	285	66	419	48	198	50	195	29	256	56	204	24	99
(b)	83.5	3.4	86.9	251	66	419	48	198	36	148	79	322	46	152	12	51
From Canada (a)	50.2	0	50.2	221	0	0	0	0	7	30	7	26	0	0	79	278
(b)	54.9	0	54.9	212	0	0	0	0	7	30	0	4	0	0	103	410
From other Western Hemisphere (a)	14.3	37.3	51.6	174	110	661	292	1,176	10	69	185	750	885	2,225	527	2,041
(b)	14.2	18.7	32.9	173	110	661	292	1,176	15	69	170	681	601	1,855	515	2,061
From other nonparticipating countries (a)	24.3	21.0	45.3	156	110	838	104	427	12	94	260	1,246	22	[3] 151	327	1,331
(b)	22.0	10.5	32.5	128	110	838	104	427	23	104	273	1,482	61	[3] 435	336	1,343
From other participating countries (a)	0	0	0	5	0	1,168	9	40	[3] 14	[3] 122	158	615	24	61	90	362
(b)	1.5	0.5	2.0	10	0	1,168	9	40	[3] 40	[3] 171	218	813	24	61	99	397
From dependent overseas territories (a)	2.8	.6	3.4	2	0	0	226	909	[3] 10	[3] 104	527	2,350	132	[3] 993	4	18
(b)	0	.4	.4	2	0	0	226	909	(3)	(3)	441	2,130	110	[3] 865	0	0
Exports, total (a)	0	0	0	12	0	1,565	9	40	15	122	194	877	57	245	119	478
(b)	1.5	.7	2.2	18	0	1,565	9	40	40	171	254	999	57	245	133	531
Supply, total (a)	(2)	(2)	(2)	3,884	(2)	12,654	(2)	3,035	(2)	1,983	(2)	9,337	(2)	7,328	(2)	17,851
(b)	(2)	(2)	(2)	3,788	(2)	12,654	(2)	3,035	(2)	1,825	(2)	9,349	(2)	7,062	(2)	18,001
(c)	(2)	(2)	(2)	3.1	(2)	0	(2)	0	(2)	8.7	(2)	−.1	(2)	3.8	(2)	−.8
Per capita consumption (pounds) (a)	(2)	(2)	(2)	683.8	(2)	4.6	(2)	24.5	(2)	16.2	(2)	34.1	(2)	53.6	(2)	65.3
(b)	(2)	(2)	(2)	663.3	(2)	4.6	(2)	24.5	(2)	14.9	(2)	34.2	(2)	51.6	(2)	65.8
(c)	(2)	(2)	(2)	3.1	(2)	0	(2)	0	(2)	8.7	(2)	−.3	(2)	3.9	(2)	−.8

		Cheese		Processed milk		Eggs (shell equivalent)		Fresh fruits		Dried fruits and nuts		Tobacco		Cotton	
		April–June 1948	1948–49	April–June 1948	1948–49	April–June 1948	1948–49	April–June 1948	1948–49	April–June 1948	1948–49	April–June 1948	1948–49	April–June 1948	1948–49
		Million pounds	*Million pounds*	*Million pounds*	*Million pounds*	*1,000 cases*	*1,000 cases*	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*	*Million pounds*	*Million pounds*	*1,000 bales*	*1,000 bales*
Indigenous products: [1]															
March 1948	(a)	(2)	1,524	(2)	638	(2)	69,433	(2)	12,966	(2)	1,067	(2)	531	(2)	327
Fall, 1947	(b)	(2)	1,524	(2)	542	(2)	66,743	(2)	12,960	(2)	1,067	(2)	509	(2)	327
Percent change	(c)	(2)	0	(2)	17.7	(2)	4.0	(2)	0.1	(2)	0	(2)	4.3	(2)	0
Imports, total	(a)	183	556	351	786	3,906	11,711	354	3,498	131	543	181	712	1,513	6,040
	(b)	185	547	346	762	3,763	10,241	354	3,109	131	543	178	723	1,513	6,040
	(c)	−1.1	1.7	1.3	3.2	3.8	14.4	0	12.5	0	0	1.2	−1.5	0	0
From United States	(a)	99	198	314	628	510	1,519	29	372	35	133	110	437	782	2,397
	(b)	99	198	314	628	980	1,960	29	366	35	133	110	439	782	2,397
From Canada	(a)	11	49	13	53	882	2,646	0	171	1	1	4	15	0	0
	(b)	13	51	13	53	1,470	2,915	0	129	1	1	4	20	0	0
From other Western Hemisphere	(a)	3	13	0	0	64	196	65	230	0	1	11	44	271	1,090
	(b)	4	20	0	0	59	245	65	94	0	1	13	53	271	1,090
From other nonparticipating countries	(a)	55	234	7	29	1,078	3,234	121	[3] 1,045	24	109	7	22	294	1,904
	(b)	58	234	7	30	857	3,479	11	[3] 125	24	109	18	73	294	1,904
From other participating countries	(a)	15	62	17	76	1,308	3,920	51	[3] 716	71	277	27	104	0	0
	(b)	11	44	12	51	397	1,642	51	[3] 937	71	277	24	99	0	0
From dependent overseas territories	(a)	0	0	0	0	64	196	88	[3] 964	0	22	22	90	166	649
	(b)	0	0	0	0	(2)	(2)	198	[3] 1,458	0	22	9	39	166	649
Exports, total	(a)	22	91	38	166	1,338	4,018	51	784	108	415	62	236	0	0
	(b)	16	65	19	78	446	1,838	51	988	108	415	55	227	0	0
Supply, total	(a)	(2)	1,989	(2)	1,258	(2)	77,126	(2)	15,680	(2)	1,195	(2)	1,007	(2)	6,367
	(b)	(2)	2,006	(2)	1,226	(2)	75,146	(2)	15,081	(2)	1,195	(2)	1,005	(2)	6,367
	(c)	(2)	−.9	(2)	2.6	(2)	2.6	(2)	4.0	(2)	0	(2)	.2	(2)	0
Per capita consumption (pounds)	(a)	(2)	7.3	(2)	4.6	(2)	12.7	(2)	114.7	(2)	8.7	(2)	3.7	(2)	11.2
	(b)	(2)	7.3	(2)	4.5	(2)	12.4	(2)	110.3	(2)	8.7	(2)	3.7	(2)	11.2
	(c)	(2)	0	(2)	2.2	(2)	2.4	(2)	4.0	(2)	0	(2)	0	(2)	0

[1] Explanation: Line (*a*) shows revisions as of March 1948. Line (*b*) shows estimates made in fall, 1947. Line (*c*) shows percent change in estimates, calculated on metric-ton basis, before conversion to units shown.

[2] Not available.

[3] Marked differences in these figures largely due to a realinement of countries included in the other nonparticipating countries, other participating countries, and dependent-overseas-territories groups, rather than a revision of availabilities.

Thank you, Mr. Chairman.

The CHAIRMAN. I have not had a chance to look at these tables, so that I am not prepared to go through them at this time. But is there anything here that gives us a picture in detail of these different countries and what they actually have in sight in the line of crops?

Mr. DODD. Not in these two tables, Mr. Chairman.

The CHAIRMAN. Is there anything anywhere in the documents that have been submitted to us on that?

Mr. NORTHRUP. These tables which I have here, which I understand were prepared at your request, indicate for each commodity by countries their present estimate for next year of domestic production in that country and the total estimated available supply. After adding on the imports those are the country break-down figures which are summarized in one whole for all the countries on the tables that Mr. Dodd has attached to his general statement.

Mr. DODD. I might say, Mr. Chairman, that we have had our boys prepare two tables, one on wheat and one on rye and we have those available for distribution to the committee, showing those averages; the average number of acres and production over the years.

The CHAIRMAN. Is that country by country?

Mr. DODD. That is country by country. On the extreme right-hand side there are comments by the agricultural attachés concerning conditions as of March, and as to estimates of production.

The CHAIRMAN. This covers just wheat and rye?

Mr. DODD. That is correct. We have not had time to prepare those tables in detail for the other commodities.

The CHAIRMAN. And you could not tell very much about a great many of them yet?

Mr. DODD. Of course, a lot of them are still to be planted, or are just being planted, of course.

Mr. MAHON. What are the main grain crops of Europe?

Mr. DODD. Wheat and rye. Although there is considerable barley.

Mr. MAHON. But rye is away out in front of barley and oats?

Mr. DODD. Yes, rye is a bread grain in Europe.

The CHAIRMAN. Barley and oats are not so much in the way of crops over there as they are here?

Mr. DODD. Not nearly as much; no, sir.

Mr. KERR. Do the British Isles raise sufficient grain to take care of their own needs?

Mr. DODD. They import a large percentage of their grain. During the war, the British Isles broke up a lot of their grasslands and built up their grain production quite high, but it was unsatisfactory from the standpoint of the farmers, because they have so much rain there that it makes it difficult to harvest the crop. Their acreage has gone down since that drive during the war. You see, they cannot hold onto that kind of production. The land will not stand it and their farmers have too much difficulty handling it. They have been for years historically pretty much on a livestock basis, with more grassland and less grain. I suppose, for one thing, it has been cheaper for them to import grain than it was to import livestock products. But they have built their livestock up.

Mr. NORTHROP. There is another table here that we have prepared for you that I think may be interesting. On the question which was asked for each of these important commodities for all of western Europe, this shows the percentage of their total supply and we have an estimate in the figures before you representing production and representing imports prewar and 1948–49. I think you might like to have that table.

Mr. DODD. We will try, as fast as we get the information from abroad, to build up tables for you with any forecast or comments of our agricultural attachés on the estimated crop. But, as you know, it will be some little time before you can get those figures on the rest of the major crops.

The CHAIRMAN. This table does not show the approach to it, as for the 1946 and the 1947 crops.

Mr. DODD. It is not like this table [indicating]. This table goes into the details of 1946–47; gives the number of acres and the total production of each country.

EUROPEAN ACREAGE AND PRODUCTION BY COUNTRIES OF WHEAT

The CHAIRMAN. You have on this first table a statement indicating the crop situation of wheat.

(The table referred to is as follows:)

Wheat: Acreage, yield per acre, and production in Europe, year of harvest, average 1935–39, annual 1946–48 [1]

Country	Acreage [2]					Production				
	Average 1935–39	1946	1947	1948 forecast and comments		Average 1935–39	1946	1947	1948 forecast and comments	
	1,000 acres	*1,000 acres*	*1,000 acres*	*1,000 acres*		*1,000 bushels*	*1,000 bushels*	*1,000 bushels*	*1,000 bushels*	
Europe:										
Austria	633	545	495		Acreage about the same as in 1947	16,057	10,300	9,700		Grain wintered well. Outlook favorable.
Belgium	402	376	220	298	Sown up to January 1	16,150	16,200	6,500		Outlook is excellent, with unusually favorable soil conditions.
Bulgaria	[3] 3,078	3,768	3,680	3,795	As of Dec. 4, 1947	[3] 64,076	67,900			Winter grains in good condition. Spring work behind schedule.
Czechoslovakia	2,175	2,250	2,140		About same as last year	57,000	53,000			Bread grains may be 85–90 percent of prewar.
Denmark	319	221	59	156	Fall sown. Little spring wheat grown.	14,470	10,916	2,205		Favorable weather conditions.
Eire	225	643	580		Acreage larger than in 1947	7,689	17,274	17,500		Grain well advanced. Weather conditions favorable.
Finland	230	388	395	406	Goal	6,100	8,083	7,700		Fall grain wintered well. Full grain normally only about 25 percent of total.
France	12,560	10,600	9,250	10,800	Probable acreage	286,510	250,000	150,000		Soil moisture reserves good. Growing conditions excellent.
Germany	4,250				Winter sowings well below plan in western Germany.	147,000				Winter grains in western Germany in good condition.
Greece	2,150	1,912	2,000	1,977	Winter sown, which is normally 95 percent of total.	30,205	28,500	20,600		Crop outlook generally favorable.
Hungary	4,091	2,698	3,100	3,164	Sown up to April 1	91,210	41,400	40,000		Crop conditions satisfactory.
Italy	12,581	11,700	11,500	11,542		279,000	238,000	205,000	240,000	Forecast production (unofficial).
Luxembourg	47	41	20			1,215	959	450		Outlook excellent.
Netherlands	338	302	212	321	Estimated sown up to February	14,791	13,180	7,131		Conditions favorable.
Norway	80	95	86		Plans for increase expected to be achieved.	2,391	2,761	2,390		Outlook favorable.
Poland	3,260				Acreage approaching prewar average.	74,000				Forecast crop large enough to fill country's needs.
Portugal	1,227	1,500	1,545	1,600		16,092	18,555	12,860	20,000	Trade estimate.
Rumania	6,900			6,372		112,000				Conditions satisfactory, but some concern over deficient soil moisture.

Spain	[4] 11,253	9,400	9,625	-------	About the same as in 1947	[4] 157,986	133,000	110,000	----------	Growing conditions excellent.
Sweden	740	748	723	499	Winter sown which is normally about 75 percent of total.	26,351	25,017	14,333	----------	Fall grain wintered well. Spring work started early.
Switzerland	183	240	235	-------	Fall seeding delayed by drought	6,050	8,480	7,000	----------	Winter grain condition improved.
United Kingdom	1,843	2,062	2,163	2,500	Goal	62,361	73,442	62,250	----------	Winter grain in good condition.
Yugoslavia	5,400	-------	-------	-------	May be about 5 percent below average.	97,700	----------	----------	----------	Winter grain well advanced.
Estimated total	74,080	66,820	64,340	-------	----------	1,588,000	1,310,000	1,015,000	----------	
U. S. S. R.	104,000	73,000	75,000	-------	----------	1,240,000	780,000	875,000	----------	Condition of winter grain generally good.

[1] Years shown refer to years of harvest.
[2] Figures refer to harvested areas as far as possible.
[3] Estimate not adjusted to take account of inclusion of Southern Dobrudja, and is therefore not strictly comparable with estimates shown for later years.
[4] Figure for 1935 only.

Office of Foreign Agricultural Relations. Prepared or estimated on the basis of official statistics of foreign governments, reports of U. S. Foreign Service officers, results of office research, or other information. Prewar estimates for countries having changed boundaries have been adjusted to conform to present boundaries, except as noted.

The CHAIRMAN. Why do you have Czechoslovakia set up here?

Mr. DODD. It is not in the program, but it does ship grain into other areas, Mr. Chairman, and we thought the production would be of interest to the committee.

The CHAIRMAN. Does Hungary ship in there, too?

Mr. DODD. Yes, very much so. Hungary has been a very large producer in prewar, and a large exporter.

Mr. STEFAN. And they have a better grain, better class of wheat.

Mr. DODD. It is a great wheat-raising area; yes.

The CHAIRMAN. The Russian wheat crop last year was nothing like it used to be in prewar?

Mr. DODD. That is correct.

The CHAIRMAN. And their crop the year before was less than that.

Mr. DODD. That is right; they had less acreage in than the year before.

The CHAIRMAN. Yes; both in 1946 and 1947, considerably less than prewar.

Mr. DODD. That is correct.

The CHAIRMAN. Rumania: You do not have the acreage shown for that.

For Hungary the acreage is down. The acreage seems to be down in a great deal of Europe, more than the United Kingdom.

Mr. DODD. The yield will undoubtedly be better. You know, of course, last year they experienced perhaps the worst winterkill in about 50 years.

The CHAIRMAN. That was a year ago?

Mr. DODD. Yes.

The CHAIRMAN. Not last year?

Mr. DODD. A year ago this last year.

The CHAIRMAN. Then you have Sweden down for a very small amount.

Mr. DODD. That is for 1947.

The CHAIRMAN. They have a very small acreage.

Mr. DODD. I believe so; Sweden cannot produce a great deal.

The CHAIRMAN. It is only about two-thirds of what she had last year.

Mr. DODD. That is the winter wheat, which normally would be about 75 percent; and you would have about 25 percent to be added to that. You will note the comment on the right-hand side, that the fall grain wintered well, and spring work started early. I think that their total acreage will be up to something like it was last year and the year before. The winter wheat normally accounts for only about 75 percent of the total acreage.

The CHAIRMAN. Rumania seemed to have quite a considerable percentage of prewar.

Mr. DODD. Rumania could export more to other countries if she had the equipment; and there was a lack of fertilizer. Rumania has to have plenty of fertilizer; if she had that they would be pretty close.

The CHAIRMAN. Where do they get the fertilizer and that sort of thing?

Mr. DODD. That would have to come from Russia. They use a lot of nitrogen on wheat land. So far as phosphates and potash, of course, they have the potash mines, not under Russian domination, therefore they have got plenty of potash.

The CHAIRMAN. I am a little surprised at the figures for Italy. They seem to have pretty near the acreage they had prewar, maybe 8 percent less, but their crop seems to be very substantially down.

Mr. DODD. I think that is entirely a matter of fertilizer and equipment. You will note the estimated crop is 240,000,000 for this year.

The CHAIRMAN. Yes.

Mr. DODD. As compared with the average of 279,000,000 average production prewar. They are on a drive to increase production to get back to the prewar figure. The 1947 production was 205,000,000. They expect to get back fairly close with the 240,000,000 for 1948. We are getting reports that the crop will be very good for this year.

WHEAT SITUATION IN WESTERN GERMANY

The CHAIRMAN. In the western Germany picture I do not understand why that should not be a good picture.

Mr. DODD. It is not, Mr. Chairman.

The CHAIRMAN. And what is the reason?

Mr. DODD. I do not know that I can tell you all of the reasons.

The CHAIRMAN. Is there anyone here who does know?

Mr. ROSSITER. The winter wheat acreage is down, it is well below the plan in western Germany; we have no indication of the spring acreage.

Mr. DODD. There again the difficulty, one of them, has been getting sufficient seed in time; and as Mr. Rossiter pointed out, as a result of the drought holding on pretty late it was pretty hard to get sufficient acreage in last fall.

Mr. WIGGLESWORTH. You do not know the percentage of production?

Mr. DODD. No, but they are making a drive to get additional seed for spring planting.

Mr. WIGGLESWORTH. You do not have any indication on that yet?

Mr. DODD. No, but we should have the figures in a short time; we have just sent some of our crop estimators over to Germany to see what the situation is.

The CHAIRMAN. They need somebody who knows something about putting it in.

Mr. DODD. Both putting it in and getting the seed.

The CHAIRMAN. They ought to have plenty of people to work on the farm.

Mr. DODD. I do not think there is any question about the labor situation.

(The table was submitted later:)

Wheat: Acreage and production, prewar average and annual 1946–48, western Germany and Turkey

	Average 1934–38	1946	1947	1948
	In 1,000 acres			
ACREAGE				
Western Germany:				
Bizone	2,395	2,040	1,855	[1] 1,720
French Zone	440	395	370	([2])
Total	2,835	2,435	2,225	
Turkey	[3] 8,952	9,246	9,465	[4] 10,290
	In 1,000 bushels			
PRODUCTION				
Western Germany:				
Bizone	80,650	53,280	49,600	([5])
French Zone	12,420	9,370	9,000	([5])
Total	93,070	62,650	58,600	([6])
Turkey	[3] 135,690	175,000	130,000	([6])

[1] Incomplete fall sowings.
[2] No information.
[3] 1935–39.
[4] Sown.
[5] Production likely to be near 1946 level.
[6] Crop outlook favorable, with moisture supplies ample, at latest report.

Office of Foreign Agricultural Relations. Prepared or estimated on the basis of official statistics of foreign governments, reports of U. S. Foreign Service officers, results of office research, or other information.

The CHAIRMAN. Of course, their farms are quite cut up and the tractors would not be so necessary.

Mr. DODD. A good many of them are. They do have some large farms on which tractors are used.

The CHAIRMAN. It looked to me as if they did not have any when I was around, to speak of. I think I saw a half dozen, maybe, over the whole of Germany, and we drove over a good part of the best agricultural land; I saw only a few that were working in the field; at that time I saw very few tractors. I do not just understand it. What became of the tractors you sent over there?

Mr. DODD. We did not send them over, Mr. Chairman.

The CHAIRMAN. But they were sent over from this country, a great many of them; I do not know what became of them.

The same thing would apply to France; we did not see any sign of tractors that we were supposed to have sent in there and they were supposed to have made; I just do not understand that. What has become of them? Maybe they were in the warehouse, I do not know. Does anyone know? It seems to me that somebody ought to know something about the agricultural picture over there.

REQUIREMENTS FOR TRACTORS IN PARTICIPATING COUNTRIES

Now, we will just take Germany, and looking at the big sheet, this big table gives the tractor picture, 15,000 in 1947; imports was 2,100, manufacture 17,000.

Then you have in here something like 2,400 exports, and 10,000 to be made. I suppose we will have to finance all of the imports,

but, with that 15,000, in going over the biggest part of the agricultural territory, it seems to me we would have seen more than three or four tractors.

Mr. DODD. I did see quite a good many tractors, Mr. Chairman, but not anything like we have on the farms in this country.

The CHAIRMAN. With 15,000 scattered around—I do not know, but it looks a little funny to me.

Then, in Greece, we know they had them stored up in warehouses.

Mr. DODD. Some of them, because they did not have people to run them.

The CHAIRMAN. They did not have any use for them.

Mr. DODD. They did not have the people who knew how to run them.

The CHAIRMAN. Then they had so many small farms, 3 to 5 acres mostly, and they could only use 100 or 150, and they must have had 1,000.

Now in the French picture: These people are supposed to get imports of 36,000 tractors.

Mr. DODD. Thirty-six thousand units on this big table.

The CHAIRMAN. Yes.

Mr. DODD. And 18,500 manufactured.

Mr. MAHON. What page is that?

The CHAIRMAN. Page 8; this is for France; they are supposed to get imports of 21,150 and to have a total of 36,000 of imports, and are to produce 18,000 themselves.

Mr. STEFAN. The 18,000 might be for reexport, Mr. Chairman.

The CHAIRMAN. That might be; I do not know, but if we are going to supply tractors to them we ought to find out. The prewar imports were 23,000, with 25,000 available. In here the 1946 figure shows they had 9,000 available; and in 1947 they had 15,000 available, and the biggest part of their farms are not more than 10 or 12 acres. The whole picture seems quite funny, and there should be a more proper approach to that from our own standpoint before we get through.

Mr. NORTHRUP. I think the figures before you, Mr. Chairman, need some further explanation. In many instances the data for 1946 and 1947—and I made a check on it yesterday, and personally I would not want to be responsible for it—but I did want to be sure that you have the right information before you.

Mr. STEFAN. You are talking about France now?

Mr. NORTHRUP. France at the moment.

Mr. DODD. On page 8.

Mr. NORTHRUP. But my comment will apply to the figures so far as tractors are concerned, where in most cases they were taken from the original Paris statement.

The original Paris report on farm machinery and tractors, for last year, is very sketchy and not too reliable. Apparently they did not have anything more than limited information concerning the tractors.

Now, let me give you some figures for France. France has now about 60,000 tractors on all of their farms.

The CHAIRMAN. 60,000 tractors on their farms.

Mr. NORTHRUP. That is right, as compared with prewar of about 33,000.

But let us take a look at the number of farms they have which can use tractors.

Mr. DODD. What was the figure for prewar?

Mr. NORTHRUP. Thirty-three thousand, prewar.

The CHAIRMAN. Are these figures any good?

Mr. NORTHRUP. We believe they are as good as can be obtained.

The CHAIRMAN. According to the table that has been given us they had 250,000 coming in; that would mean they did not have any attrition during the war, if those figures are correct.

Their prewar production was 25,000; and the imports would not look like they had 25,000 available for their domestic economy if they only had 33,000 on hand at the beginning of the war. It looks a bit fishy. I do not know, and I am just trying to find out what the facts are.

Mr. NORTHRUP. I will try to give them to you. I am suggesting to you, Mr. Chairman, that the figures as far as tractors are concerned I do not believe were any too accurate; that they are not sufficiently accurate to give us a comparison, prewar. And, I would like to give you the information for the other countries the same as I am giving it for France.

The CHAIRMAN. Very well.

Mr. NORTHRUP. I think I should give you the number of farms and the other information about France before we leave it.

In France they have a total of nearly 4,000,000 farms with an average size of the farms of about 28.7 acres. But the interesting part of that figure is that within their total there are now quite a few farms that are using tractors and can use them well over there.

Then they have in France about 380,000 farms with an average acreage between 50 and 123.

The CHAIRMAN. The average is what?

Mr. NORTHRUP. Between 50 and 123.

They also have in France 114,000 farms, which we call in this country fairly large farms.

Mr. STEFAN. How large?

Mr. NORTHRUP. One hundred and fourteen thousand of them with an acreage of 123 acres or more.

Now generally speaking in France those are the kinds of farms with the kind of crops they produce where they can use tractors and can utilize them well.

That statement is based upon the information we have been able to obtain from our own agricultural attachés in France, who have been there for many years and are thoroughly familiar with conditions.

In addition to that, and the same information applies not only to France but to others, there has been a lot of talk and perhaps more consideration should be given to the fact, that they are on their way to mechanized farming to meet their needs in France, but as regards tractors there have been many of them immobilized for lack of spare parts. And it is very reasonable to assume that many of the tractors which have been immobilized, very possibly are German-made tractors. They have not been able to get spare parts for tractors made in Germany. We are hoping that the German factories can be reactivated, at least enough to get the spare parts from going back into France and other countries that historically bought from Germany.

France buys a lot of tractors from Great Britain, and they make a lot of their own.

The CHAIRMAN (interposing). They did not do much manufacturing last year, 3,500; they have that set up in their estimates that somebody has made, for 1947; 18,000 for the next year, for the current year.

Mr. NORTHRUP. That estimate of 18,500 I believe is from the Government people in Paris in the CEEC report of last year. This figure in the report was a target they were going to shoot at, but they are probably not getting all the steel they need to meet their production target.

They need more tractors in France. Not only in France, but also in French North Africa. In French North Africa it is well to note that many of the farms represent large operations; they have had large farms under cultivation for many years and have used a substantial number of tractors and they are going to require tractors for the kind of production and farming they do in that area just as we have over here in our Western Plains grain area.

I think that as the year progresses and time goes on that in order to have a real rehabilitation in Europe in their agricultural situation they are going to have to have new tractors for replacement of worn-out and obsolete equipment.

I think you can be assured, however, Mr. Chairman, that our manufacturers will make no exports into France or to any other country other than the amount which European farmers tell their dealers they need just like farmers do in this country.

We have been very careful to check with our own manufacturers who have been in this export business for a long number of years, and we are very confident that the American manufacturers are not interested in the slightest degree in exporting tractors or any other kind of machinery to Europe that cannot be serviced over there.

Now, this program is quite contrary, you see, Mr. Chairman, to that covered by the UNRRA program; this is an entirely different kind of thing. This is the kind of thing where, so far as farm machinery is concerned, our American manufacturers will know what they are doing.

For example, let us take an illustration of what one American manufacturer had to do in order to introduce a new piece of equipment in France. They told me that on one very small item it took 18 months to get the French Government to approve an import license for it. Now that is an extreme example, but what I am trying to suggest is that this is a different kind of program.

The CHAIRMAN. You mean that was in the postwar days?

Mr. NORTHRUP. That was rather recently; the French Government——

The CHAIRMAN. What is the sense of our bothering with it if they are not interested, and if they are going to operate in that way?

Mr. NORTHRUP. As I say, that is a very extreme example, and I am just suggesting that to illustrate that the American manufacturers will only export on the basis of so many orders, on the basis of real need in the country, and they canont afford to ship it over there unless the machinery can be serviced.

The CHAIRMAN. That rather implies, from your statement, that the folks over there do not care whether they get this or not?

Mr. NORTHRUP. Yes, they do.

The CHAIRMAN. Why would the Government be 18 months in passing on the application for a license?

Mr. NORTHRUP. Well that is an isolated instance, which perhaps I should not have used.

The CHAIRMAN. But it is illustrative of a bad disposition. We have bureaucrats over here who act just about like that.

Mr. NORTHRUP. This happened to have been a new item, of some kind of machinery—I do not know what it was.

Mr. DODD. I believe you will recall, Mr. Chairman, that last year a lot of countries were refusing to permit imports because of their dollar exchange situation.

The CHAIRMAN. That of course is true, but that would not justify a delay of 18 months.

Mr. NORTHRUP. We agree with you.

The CHAIRMAN. They could say "No."

Mr. DODD. Yes, undoubtedly.

The CHAIRMAN. That could have been done in 3 weeks.

Mr. DODD. Yes. Of course, some of the countries did say "No," even though they admitted the need of the equipment very badly, but they just could not afford to spend the dollar exchange for it.

DISTINCTION BETWEEN ECONOMIC COOPERATION PROGRAM AND UNRRA

I would like to be sure that the committee has in mind the difference between, as Mr. Northrup has mentioned, the UNRRA program, which represented shipments by somebody out of this country, of goods, tractors, into other countries without regard to the demand from that country and without a direct payment for them, and under that program those things were given to the country.

DISCUSSION OF METHOD OF FINANCING PROGRAM

Under this the farmers themselves have to pay or they do not get them.

The CHAIRMAN. You do not mean we will start getting money?

Mr. DODD. If the money is made available it does come back to the manufacturer, of course.

The CHAIRMAN. You mean they are paid for it?

Mr. DODD. The farmers themselves pay.

The CHAIRMAN. The farmers have to pay. Then what is the need to have this Government operation intervening outside of export control?

Mr. DODD. This, of course, if the appropriations are made available——

Mr. MAHON. This appropriation is to pay the American manufacturer; is it not?

The CHAIRMAN. I do not know; maybe I have the picture wrong. Are those folks to pay for it?

Mr. DODD. Yes.

The CHAIRMAN. They are to pay for tractors to the United States Government?

Mr. DODD. No; to the dealers and they in turn pay the manufacturer.

The CHAIRMAN. Then why does the United States Government need to be in there except as perhaps an export-import bank to finance the thing for say 90 or 160 days until the thing can turn over?

Mr. DODD. That, of course, is what I thought this committee was considering—I wonder if Mr. Nitze should not discuss that.

The CHAIRMAN. I would like to know what this is, and I think the committee would like to know what the program is, because we have not been given the picture yet.

Mr. WIGGLESWORTH. You mean the payment is made in dollars or in the local currency that is provided for under the enabling act?

Mr. DODD. It would be converted into dollar exchange to pay the manufacturer for anything that was bought in this country; our manufacturers would get full pay for it.

Mr. MAHON. You must differentiate between the 16 percent of the tractors which are to be exported in the regular channels of trade, and the 80 percent that are to be exported through the ECA.

Mr. DODD. I cannot see the difference, Mr. Mahon, because all of the tractors will have to be paid for in full.

Mr. NITZE. All of the tractors will move in the normal channels of trade. The only question is whether the ECA will or will not take the financial responsibility. A certain percentage of the tractors would be included in the ECA financial segment of the program.

Now the purchaser would have to pay in local currency to the Central Bank of France for the foreign exchange, which the manufacturer requires. If the item is included in the ECA program, the French Government gets that foreign exchange from the United States Government.

I think the ECA Administrator at the time of his presentation, disclosed what transactions involved reimbursement of the French Government. The French Government would have to deposit in the special account provided for by the act the amount of the local currency equivalent of the dollar costs to the ECA for that shipment.

Mr. WIGGLESWORTH. Is not this item insofar as the set-up of the over-all program that has been given to us is concerned, included in the ECA operations?

Mr. NITZE. Twenty-one thousand one hundred and fifty tractors for France have been included.

Mr. NORTHRUP. The point I was trying to make is that insofar as the French farmer is concerned he will pay for the tractor in his own local currency in the regular way of doing business.

Mr. WIGGLESWORTH. There are 81.5 million dollars of agricultural machinery in the over-all table you have given us to be taken out of the ECA program in the first 12 months.

Mr. NORTHRUP. That is the estimated amount that the French could not pay for.

Mr. WIGGLESWORTH. That is the amount we are interested in in this program.

Mr. DODD. That is right from the appropriation standpoint.

Mr. NORTHRUP. Yes.

Mr. NITZE. I would suggest that we are interested both in the total exports from this country to France and also in the amount which we might have through ECA to finance.

The CHAIRMAN. But the part that the ECA finances we will never get back; that is about the size of it; is it not?

Mr. NITZE. So far as that which is on grant basis is concerned, we may not get back; insofar as the loans——

The CHAIRMAN. Which is to be the grant and which is to be the loan?

Mr. NITZE. The determination as to loans and grants has to be made by the Administrator subsequently.

Mr. WIGGLESWORTH. Insofar as the grants and the local currency required to be deposited is concerned that is under the control of the Administrator and the representative of receiving Government.

IMPORT CONTROL BY PARTICIPATING COUNTRIES

Mr. KEEFE. May I ask you a question, Mr. Nitze: As I understand it this whole program is subject to the export-control license?

Mr. NITZE. That is correct.

Mr. KEEFE. That includes the ECA program part of this as well as that which is not ECA?

Mr. NITZE. That is correct.

Mr. KEEFE. Do I understand, using France as an illustration, that an import license is also required from France to effectuate the shipment of tractors both in the over-all program and in the ECA program?

Mr. NITZE. Yes; France is so short of foreign exchange that France has a very tight import control, requiring an import license into France.

Mr. KEEFE. Would that import license be required for the gift part of this program, which is the ECA part of the program?

Mr. NITZE. I should think so, but I should think that when the program has been agreed to between the Administrator and the foreign government as being the required program for France, as to the things to be made available and the necessity for those things, that the import license in France would flow more or less as a normal matter. For reasons indicated by the Administrator, they would have to check with the Department of Commerce to see whether the United States available supply is sufficient to protect the domestic requirements, from our standpoint, and the Department of Commerce would have had to check on those things with the ECA Administrator. But the license technique would then follow, and would go forward without delay.

Mr. KEEFE. Then in the over-all program we have an export control from this country on tractors, regardless of the program, and of any import license control in France.

Mr. NITZE. That is correct.

Mr. KEEFE. Now in the over-all program, when that is finally arrived at between the Administrator and the French Government, and the Department of Commerce here, handling export control license, while they might have a strict import-control license provision over there, it would be a mere matter of recording the imports in conformity with the over-all agreement that has been reached; is that right?

Mr. NITZE. I believe that would be the case.

Mr. KEEFE. It would be somewhat similar to that which was described by Dr. Bruce, when he was here with respect to an export control license given for shipments into occupied areas of Germany through Army Procurement. In other words, the export license is a mere matter of record, to keep the figures current as against the total picture, is that right?

Mr. NITZE. That is right.

Mr. KEEFE. Now in the case of the International Harvester, which has a subsidiary plant in France, for example, the Administrator and the French Government arrive at the basic figures as to the number of tractors they will permit, or think should be coming in under this over-all program; they may do business as to that portion which is included above the ECA program in the normal method of transacting business and to the limit of their dollar exchange; is that correct?

Mr. NITZE. That is correct.

Mr. KEEFE. That would require, first, an export license here by the Department of Commerce; secondly, an import license in France, which would permit the acquisition and delivery of dollar exchange out of their dollar exchange, and in such case then the French peasant farmer will go to the normal dealer and tell him he wants to buy a tractor or some other piece of farm machinery, and he pays for that, in the normal channels of trade, in the currency of France, or whatever it may be.

Now, as to that portion flowing under the ECA program, if I understand it, the French peasant will pay in exactly the same manner, but that money which he thus pays goes into this so-called currency fund for deposit under the provisions of this basic law under which this program is set up.

Mr. NITZE. That is substantially right.

Mr. KEEFE. Is that correct?

Mr. NITZIE. That is substantially the way it works.

The CHAIRMAN. As to items of this character we do not expect ever to get anything back into the United States Treasury resulting from those items?

Mr. NITZE. It was thought that the capital equipment items would more possibly be included under loans, whereas the other items, insofar as long-term loans——

The CHAIRMAN (interposing). Would tractors be considered as capital equipment? Or would it be considered as farm machinery? I do not know about your category in the State Department. I know how I would treat the set-up if I were running a farm, but I do not know about how the State Department runs it or what it would be. But I would like to know a litle about it.

Mr. NITZE. That is a decision the Administrator will have to make.

Mr. STEFAN. He will have to make the decision as to which is capital outlay, whether equipment for the farm, road machinery, and so on, will represent capital items.

The CHAIRMAN. It makes it rather difficult for us to figure this thing out without knowing that approach when we are making the appropriation.

Mr. STEFAN. You can answer this question, Mr. Northrup: With reference to the corrections made by Mr. Dodd, the Under Secretary's statement, on fats and oils, from 30,000 to 60,000,000——

Mr. NORTHRUP. That was 60,000,000 pounds converted from 30,000 metric tons.

Mr. STEFAN. Yes. We have before us some working sheets—generally speaking these are working sheets, and the figures are correct?

Mr. NORTHRUP. Yes; insofar as the food figures are concerned, they are.

Mr. STEFAN. You discuss at great length the mechanics of how this distribution is to be made, of the ECA items, and the general export items, the two different categories; you have gone into the size of the farms of France and used France as an illustration of mechanization through the ECA countries.

MECHANIZATION OF FARMS IN FRANCE

Now can you tell the committee what was the percentage of mechanization on the 380,000 farms averaging 50 to 123 acres in France prewar, and the percentage of mechanization of the farms, 114,000 farms of 123 acres and more, prewar.

Mr. NORTHRUP. No; that data is not available.

Mr. STEFAN. Is it the purpose to mechanize all of them?

Mr. NORTHRUP. No, I doubt that very much; I doubt if that would be possible.

Mr. STEFAN. Of course, you would be limited to the rehabilitation program that is to be carried out.

Mr. NORTHRUP. Yes.

Mr. STEFAN. Insofar as food is concerned I am very much in favor of it; my worry is that we do not have sufficient machinery in the United States to furnish the food that is required to be put in this pipe line.

Mr. NORTHRUP. We are with you on that.

Mr. STEFAN. I have listened to the statement of Mr. Dodd; he has given quite a lot of elucidation and explanation; the things have been very well explained. However, I would like to know, if you can possibly give me the information, the percentage of mechanization of the 114,000 farms of 123 acres or more, prewar, and of the 380,000 farms of 50 to 123 acres, or more, and if you can possibly give me what the percentage of mechanization is in the objective in the 4-year program.

Mr. DODD. That information just is not available, Congressman Stefan; we could only give you a guess.

Mr. STEFAN. You have a certain number of farms that are mechanized.

Mr. DODD. Yes.

Mr. STEFAN. And I would like to have the comparison, if you can give it, prewar and the objective at the end of the 4-year program.

Mr. DODD. As I indicated, we do not have the prewar figures.

Mr. STEFAN. Of course, you do not know the exact amount, but I would like to have as good an estimate as you can furnish.

Mr. DODD. Yes.

(The information will be supplied to the committee.)

Mr. STEFAN. It is not the intention to mechanize the 4,000,000 farms averaging 28 acres?

Mr. NORTHRUP. No.

Mr. STEFAN. France has now, you tell us, 60,000 tractors; prewar, 33,000. Now what is contemplated in the expansion program for that?

Mr. DODD. We would expect that if the farmers in France get a pretty good price return for their crops, just like our farmers, they would buy as many as they could as quick as they could.

Mr. STEFAN. Even on the 28-acre farms?

Mr. DODD. Not on the 28-acre farms. That 28 is an average figure.

Mr. STEFAN. I notice you say that there is a lack of manure over there?

Mr. DODD. Very much so.

Mr. STEFAN. Have you given any thought to giving them some machinery, that may be animal-drawn, in order that they may have some manure for fertilizer?

Mr. DODD. What we have been talking about is cattle and other livestock; hogs and cattle which at the present time is down very low. Historically they have had in France a high livestock population; that has been cut down; the population dropped during the war, but they have had animals prewar.

Mr. STEFAN. But you will give us as much information as you can concerning the previous mechanization of these individual farms.

Mr. DODD. We will do the best we can.

Mr. STEFAN. And the projected program.

Mr. DODD. We do not have any accurate information, and I doubt if it is available.

Mr. STEFAN. You tell us that the entire program is flexible.

Mr. DODD. Yes.

Mr. STEFAN. It changes from day to day?

Mr. DODD. Yes. We will do the best we can to get something for you. We are not satisfied ourselves not to have the information, and we will do the best we can to get it.

Mr. STEFAN. I would like to have that in some detail.

Mr. DODD. We will have to send a cable to our agricultural attaché in Paris to get the information; he is familiar with the French agriculture and has been for some time, and I think his guess would be a pretty good figure.

Mr. STEFAN. Now, in the bizonal part of Germany, you have a pretty accurate figure there, but do you have that in the rest of Germany?

Mr. DODD. No; we have not. In the British and American zone, yes; we are beginning to get pretty good figures, although, I am sorry to say, they are not as good there as they should be.

Mr. STEFAN. At this particular time, Mr. Chairman, I will have no other questions.

Mr. KEEFE. I would like to ask a question relating directly to this tractor situation.

SIZE OF FARMS IN VARIOUS COUNTRIES

Mr. DODD. Before you do that, I was just going to state that we could make this table we have available as to the size of the farms in the different countries. We can make that available for the record.

The CHAIRMAN. We would like to have it.

Mr. DODD. We have now a pretty complete table, and our folks are just getting together the different sizes of the farms in the different countries, and we will make a copy of it available to you.

The CHAIRMAN. I think you might put it right into the record at this point.

(The matter referred to is as follows:)

Number and grouping of farms by sizes: ERP countries

Country	Total number of farms	Average size of farms	Number of farms by size groups [2]								
			Small farms			Medium-size farms			Larger farms or estates		
	Thousands	Hectares [1]	Size range (hectares)	Number (thousands)	Percentage of total	Size range (hectares)	Number (thousands)	Percentage of total	Size range (hectares)	Number (thousands)	Percentage of total
Austria	433	9.3 (23.0)	0 -20	397	92	20 -50	29	7	50 and over	7	1
Belgium-Luxemburg	1,131	1.7 (4.2)	0 -20	1,118	99	20 -50	11	1	do	2	
Denmark	206	15.7 (38.8)	0 -15	137	67	15 -60	64	31	60 and over	5	2
France, French North Africa,[3] other French areas.[4]	3,966	11.6 (28.7)	0 -20	3,472	88	20 -50	380	9	50 and over	114	3
Greece	953	4.0 (9.9)	0 -20	942	99	20 -50	8	1	do	3	
Iceland	6	[5] 25.0 (61.8)									
Ireland	383	15.4 (38.1)	0 -20.2	303	79	20.3-40.5	51	13	40.5 and over	29	8
Italy	4,196	6.3 (15.6)	0 -20	4,042	96	20.1-50	107	3	50.1 and over	47	1
Netherlands	372	5.7 (14.1)	0 -20	345	93	20 -50	24	6	50 and over	3	1
Norway	298	3.4 (8.4)	0 -20	293	98	20 -50	5	2	do	3	
Portugal	(6)	(6)		(6)			(6)			(6)	
Sweden	670	5.5 (13.6)	0 -20	634	95	20 -50	28	4	do	7	1
Switzerland	236	6.1 (15.1)	0 -20	227	96	20 -50	8	3	do	1	1
Turkey	(6)	(6)		(6)			(6)			(6)	
United Kingdom, British overseas[7]	598	19.5 (48.2)	0 -20.2	417	70	20.3-40.5	83	14	40.5 and over	98	16
Bizone western Germany	1,591	11.6 (28.7)	0.5-19.9	1,406	88	20.0-49.9	146	9	50 and over	39	3

[1] Hectare=2.471 acres. Acreage equivalent shown in parentheses. These averages are based on all land in agricultural holdings.
[2] Agricultural land, not including woodland, for Austria, Denmark, Greece, Norway, Sweden, United Kingdom. Same size classification not available in all countries.
[3] In Algeria alone there are 646,000 farms with an average size of 15.3 hectares. There are 591,000 farms with less than 50 hectares; 42,000 of 50 to 100 hectares; and 13,000 over 100 hectares in size.
[4] Areas in French West Africa lend themselves to mechanized production of such crops as peanuts.
[5] This represents the cultivated and meadow land, of which 21 to 15 acres are cultivated. Farms vary from 50 to several thousand acres, of which 1 percent is cultivated, 5 percent is in meadow, and the balance is mountain pasture and barren land.
[6] Unavailable.
[7] East Africa is principal area suitable for mechanization.

Source: Office of Foreign Agricultural Relations.

LEVEL OF ECONOMIC RECOVERY SOUGHT IN PARTICIPATING COUNTRIES

Mr. KEEFE. As I understand this picture—I am trying to get some broad, general, basic information, if I can—it is expressed in the enabling legislation as the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance. That is the fundamental purpose of this whole program?

Mr. DODD. That is correct.

Mr. KEEFE. The reconstruction and the development of a healthy economy, of which agriculture is basically a part?

Mr. DODD. That is correct.

Mr. KEEFE. Now, if there is any justification at all for asking the American taxpayers to provide funds to restore the economy of France or the participating countries, it is on the basis that is expressed in the basic legislation under which this program proposes to operate.

Mr. DODD. That is correct.

Mr. KEEFE. Now, what has concerned me all along during the hearings thus far held is this: You have given us in these tables the anticipated production of farm products, food products, in those various countries, the anticipated imports from the nonparticipating and participating countries, and the amount of imports required from the Western Hemisphere, especially the United States, but I have not yet heard anyone testify as to what is the level of economic recovery in France or in the other participating countries that we seek to attain as a result of this program. I would like to have an answer to that question, if I may.

Mr. NITZE. Basically, what we seek to attain is a situation where those countries could survive without extraordinary outside assistance. In other words, if they could balance their external accounts on a decent level, by a good level of internal economic production.

Mr. KEEFE. When do you anticipate that time will be reached?

Mr. NITZE. Our thought was it might be done within 4¼ years. That was the basis of the program we originally presented to the Congress.

Mr. KEEFE. I realize, of course, agriculture is just one of the segments of the French economy, but we are now concerning ourselves with agriculture. Assume that the agricultural production in France exceeds by 50 percent their prewar production. Would we be expected to continue to contribute tractors and everything else by way of gifts to a nation that had already reached that level of production in that segment of her economy?

Mr. NITZE. If France attained that level of production, her requirements of imports from other countries would go down materially, and it would greatly reduce the in-balance in France's dollar position with the Western Hemisphere.

Mr. KEEFE. What is that level of production, and where is that point where we can get these people off our backs and stop appropriating American taxpayers' money? That is what I would like to know—what is the goal; what is the target that you are shooting at under this program?

Mr. NITZE. The target is to have their exports go up to a point where they can pay for the required imports into those countries. That is the basic target.

The CHAIRMAN. According to this United Nations report, you have them up now to practically 100 percent of their prewar production. I will admit this wheat figure does not indicate the following through of better than 80 percent of their wheat production, and the rye is down to about two-thirds, perhaps, with a very large drop in acreage, which I do not understand.

Mr. KEEFE. What I am trying to get at, Mr. Chairman—and I realize the difficulty that is involved in any attempt, categorically or otherwise, to answer these questions, because it involves the in-balance of all of the elements affecting the economy, but we are dealing now with agriculture. Yesterday we dealt with coal and before that with petroleum. But assuming we estimate a percentage above the 1939 production in agriculture as the base level and we reach that level of production so far as agriculture is concerned in these participating countries, would aid to agriculture under this ECA program then immediately cease?

Mr. NITZE. The basic point, I think, Mr. Congressman, is that today they are required to import from the Western Hemisphere. They require something on the order of $13,000,000,000 of imports to keep them at that level. Their dollar earnings are only $4,000,000,000. They can pay for only about one-third of their required imports from the Western Hemisuhere. The level of production they have now attained has only been due to the fact that they are importing the basic raw materials, the food, and so forth, that make possible the present rate of production in those countries. The problem is how are they going to cure this discrepancy so that they will be on a self-sustaining basis. That means that either the imports have to come down or the exports go up, or both. They have to become more self-sustaining in food, which means they have to get on a higher level of agricultural production than they had before the war, and they would have to reduce the imports which they get from other countries. They also have to get their basic industry above the prewar level in order to produce exports which will contribute to bringing the thing into balance.

Mr. KEEFE. When their production of agricultural products reaches such a point that the amount of imports is reduced and their general productive capacity all along the line is raised to high levels so as to permit them to export and thus to wipe out this adverse balance against them, what is going to happen to the United States? What are we going to do with our production, and where are we going to sell our products?

Mr. DODD. You mean agricultural products?

Mr. KEEFE. I mean agricultural products; yes.

Mr. DODD. That is one I want to talk about.

Mr. KEEFE. We will start with that.

Mr. DODD. Historically western Europe has been a very good market for a good many of our agricultural commodities. We are going either to have to maintain that market or to find new markets, or we are facing some very real hardships with some of our producers in this country.

I mentioned a while ago dried fruits. We have always, since the beginning of that industry in this country, shipped a large part of our dried fruits to Europe, and I hope they do get in a position where they

can export something and buy our dried fruits, or else we are going to have to tear out a lot of our vineyards and fruit trees, because we have no place to sell that fruit.

And the same thing is true, and even more so, of tobacco, because we have sent a good many millions of pounds of tobacco historically to Europe, and if they cannot get in a position to buy that and maintain our markets, we are going to have to cut down the production of tobacco an enormous amount. We have already cut the flue-cured acreage by 27 percent this year because of the British deal last year. When the British, without any advance notice, said they were going to cut down their tobacco imports, they raised havoc with our tobacco production.

Mr. MAHON. What about cotton?

Mr. DODD. Then, to go into the cotton field, you can see what would happen to us if we cannot maintain those markets that we have had historically. And the same is true of some of our fresh fruits and particularly your west coast fresh fruits.

Mr. KEEFE. Well, cotton is being developed world-wide, is it not?

Mr. DODD. Yes.

Mr. KEEFE. And if you establish a world price by virtue of the procurement program in the United States of United States cotton, we are up against pretty severe competition in that picture, are we not?

Mr. DODD. I am not so worried about the competitive picture, if we can just get Europe on her feet and they have money to spend. I think Europe today is in about the same shape that some of the ranchers were out in my country during the early thirties, when you just did not have money enough to keep the show going; that is, the stuff we had to sell would not pay the overhead.

Mr. KEEFE. I hear that expression used, Mr. Dodd, all through these hearings—if we could only get Europe on her feet—but that is a relative thing.

Mr. DODD. That is right.

Mr. KEEFE. I am trying to ascertain and find information to guide my thinking of what the state of standing on her own feet is that we are talking about. It seems to me it has to be gotten down to some relative basis of productive capacity.

Mr. DODD. Self-sufficiency between exports and imports, so that they balance.

Mr. KEEFE. We talk of this as a 4½-year program, but it may go on indefinitely. We talked about Germany, but no witness appeared before this committee who could give, with any degree of certainty, any predictable time in the future when we could get that economy off our backs—not one—from General Clay on down. Now, if this program goes on for 4½ years with this strain on our own economy, can anyone predict when the thing is going to end or if it will have to be renewed and carried on indefinitely, and what is the level we are shooting at? Where can we say "All right, boys, we have you up to this point. From this point on you have to toddle along yourselves."

Mr. DODD. That is about the position these people took who studied the situation last fall and came over here. They said "With this much help, we think in 4¼ to 4½ years we will be in a position to be virtually self-sufficient. We will be somewhat below what we were

prewar, but we will be on a self-sustaining basis, where we won't need any more help."

Mr. KEEFE. Our productive capacity in many fields of export has been accelerated throughout the world, due to the lack of competition coming from European production.

Mr. DODD. That is true.

Mr. KEEFE. If we get the European production built up to high levels and those exportable goods are going into the markets of the world, then, of course, we must rely upon American genius, salesmanship, and all that sort of thing, to generalize the talk I have heard here, to meet that competition, because certainly the time is coming when we cannot build up the British production, for example, or the French production and allow them to get into the export market with that productions that they can build up their economy without throwing them into direct competition with our exporters who are now sending their products to the Far East, to South America, Africa, and so forth. Is not that true?

Mr. DODD. I think that is true. But I do think there is a great possibility to expand exports to the Far East, Africa, and South America. I think the trade possibilities in those countries are very much undeveloped at the present time. But, if they cannot improve their economic condition, there is not much chance to increase our trade. But, looking at the picture in an over-all way, I think there are great possibilities of improving their economic situation.

Take India: If India could get in a little better shape, there is almost an unlimited amount of capital goods that they could take from this country.

Mr. KEEFE. In your general statement, you qualified it by interpolating a little statement into it that all of your estimates and all of your predictions are based upon good weather here in the United States.

Mr. DODD. That is right.

Mr. KEEFE. And a benevolent and omnipotent God, who will give us the right kind of growing facilities to produce crops.

Mr. DODD. That is right.

Mr. KEEFE. And, if we have a crop failure here, then, the whole thing is thrown out of gear and out of balance.

Mr. DODD. That is correct. Europe has a very good crop in 1946, and it looked to everybody that they would probably get in a little better shape by the end of next year. Then they got the worst winter kill in many years.

Mr. KEEFE. And that might happen again.

Mr. DODD. That is right.

Mr. KEEFE. And you are basing these figures upon estimates of what the crop prospects are for next year, and if they fall by the wayside or if in the next fiscal year they run up against another crop failure, such as they had last year, then the whole balance is upset.

Mr. DODD. You must keep in mind that we have had about 8 or 9 years of exceptionally good conditions in this country on wheat, but if we run into a drought like we had in 1934 and 1946 or some other things like we had on corn last year, then, this whole thing is upset.

Mr. NITZE. But some things have worked out better than was expected.

Mr. DODD. Oh, yes.

Mr. NITZE. European coal production increased more rapidly than was estimated; so we cut down the estimates of the amounts necessary to be shipped from the United States.

Mr. KEEFE. But the over-all picture does not suggest any reflected reductions in the amount of this appropriation. I have not seen anybody suggest that on that side of the table.

Mr. NITZE. There are certain factors which look better, and certain factors which look worse.

Mr. KEEFE. And that will go on and on and on; there is no end to it. Is not that right?

Mr. NITZE. Frankly, it is impossible to predict accurately what is going to happen, even from year to year, and naturally it is less possible to predict what is going to happen four and a quarter to four and a half years in the future.

Mr. KEEFE. And the best job we can do at the present time is, with all the brains that have been put on this, this is what the results boil down to.

Mr. NITZE. That is correct.

Mr. KEEFE. And we have to rely upon God Almighty and Providence to join in directing this thing, in the hope that the thing will work out. That is about what it amounts to.

Mr. DODD. I do not want to bet against the Lord's making it possible to produce crops, but if you take the long-time averages, this is what we estimate we will get.

Mr. KEEFE. Being a good Christian, I join in praying that they will be good—I can tell you that—because I think that has a lot to do with it.

Mr. DODD. I do, too.

Mr. KEEFE. But, to answer the question repeatedly hurled at Members of Congress by the press, over the radio, and everything else, I have beeen struggling all through this to get the basic answer to that question as to what that level of recovery is that we seek, where we can say "All right, boys, we have now boosted you up to this point. From now on you are going to get off the backs of the American taxpayers." And I do not believe anybody can answer that question, can he?

Mr. DODD. I do not believe they have the answer to that yet.

Mr. KEEFE. With any degree of assurance or accuracy.

Mr. DODD. Except, as these people themselves told us, that with this much assistance they thought they could get on their feet and would be self-sufficient at the end of this time and would not need any more help.

Mr. KEEFE. They asked you for an awful lot more than what you thought, too.

Mr. DODD. Yes. We worked with them for some several months, cutting down some things, increasing some others, and making adjustments. We have to remember their first job of putting these figures together was rather hurriedly done, and they, I suppose the same as any of us would do, tried to be on the safe side by having enough. I think these figures are pretty good figures, assuming other conditions, as we have to, would break about even.

Mr. KEEFE. Now, Mr. Dodd, you said in your opening statement that agricultural products constitute about one-half of the total value of anticipated exports under this ECA program.

Mr. DODD. That is correct.

Mr. KEEFE. That brings us directly in this country to the contemplation of food for Americans and what the situation is. I cannot help but be impressed by the statement the President made to Congress recently, in which he called attention to the very grave dangers of inflation in this country. Do you recall his statement?

Mr. DODD. I do; yes, sir.

Mr. KEEFE. Which he has reiterated in a number of other speeches, especially the one at the National Press Association.

Now, as the Under Secretary of Agriculture, can you state for the record whether the withdrawal from the American market of the materials contemplated for shipment to participating countries as gifts would constitute a positive acceleration of the inflationary processes described by the President?

Mr. DODD. I do not think so, Mr. Congressman, because of this fact: We were able to export larger amounts of food during the past 2 years than are contemplated under this program. So, assuming we have good crops, supposing we have good production, the production we could expect from the moisture conditions in the country at the present time, it should be a drag on inflation, I should think. But you cannot take out——

The CHAIRMAN. You mean the taking out of the market of large quantities of goods is a drag on inflation instead of a promotion of it?

Mr. DODD. No; I do not say that, Mr. Chairman—very definitely not.

The CHAIRMAN. Well, that is what I inferred.

Mr. DODD. I am sure, if it sounded that way, I do not want it to appear that way. But if we have been digging up 575,000,000 bushels and you cut that down to 475,000,000, it would be less of a drain on inflation than the other way.

The CHAIRMAN. It would depend on what percentage of your crop and what percentage of your surplus crop you took out of the market. If there was no surplus crop it would be the other way.

Mr. DODD. That is right.

The CHAIRMAN. If there was a big surplus, if your production was big, you might get by without its being a drain; otherwise, it would be a drain and would promote inflation.

Mr. DODD. Of course, if we had much less of a crop than we have presently estimated, there is no question but what you could not ship this much food.

The CHAIRMAN. It is a question that relates to every set-up that is presented here, and I want the answer, because I think it is going to clear up a lot of what Mr. Keefe has in mind, and I want put in the record a table as to each commodity that is involved in this set-up, showing, in the first column, the cost at which it was figured in this whole over-all set-up and, in the second column, the additional items of cost that are involved, like transportation, beyond the purchase

price, and delivery, so that we may have before us each commodity and its estimated over-all cost.

Is that a clear question?

Mr. DODD. We can do that for agriculture.

BREAK-DOWN OF OTHER FOODS TO BE SHIPPED FROM WESTERN HEMISPHERE

Mr. STEFAN. And could we have in that for agriculture a break-down, also, of the 188 million dollars' worth of so-called other food to be shipped from the Western Hemisphere, 110.2 million dollars of which is ECA?

Mr. DODD. Mr. Northrup has that break-down, I think.

Mr. STEFAN. I would like to have that put in the record at this point.

(The matter referred to is as follows:)

Break-down of "Other foods" items

	Total shipments	ECA obligations, Apr. 1, 1948–Mar. 31, 1949
Total	188.3	20.0
Pulses	60.5	11.8
Fresh fruit	88.8	7.2
Cocoa	39.0	1.0
Tea		

ESTIMATED UNITED STATES PRODUCTION, TOTAL EXPORTS, AND EXPORTS TO PARTICIPATING AND OTHER COUNTRIES, 1948–49

Mr. WIGGLESWORTH. I think we ought to have for each one of these 19 items appearing in table D–4, for which I understand the Department of Agriculture is primarily responsible, a table showing the estimated availability of the items in this country for 1948–49, and, second, what is contemplated to be taken against that availability, and the entire availability in terms of exports.

Mr. DODD. We have that now. I wonder if this would answer your purpose [submitting].

(The table referred to may be found on p. 384.)

Mr. WIGGLESWORTH. There are 19 items listed in this over-all table that the State Department has given us, and I think we ought to have a detailed picture on each one of the items.

Mr. DODD. This is the United States part, and the full table you have is the Western Hemisphere. In some of those items there is no export from this country, of course. Those are only items that will be available from the United States which are shown on that table.

Mr. WIGGLESWORTH. I do not want to duplicate it.

Mr. DODD. I think those are only items that the United States will be called upon to supply. That is the total availability in column 1.

Mr. WIGGLESWORTH. I want to make sure, before we get through with these hearings, that we have a simple table that anybody on the floor can understand, which shows, in terms of every one of the 50 commodities here, what we have on hand or what we are going to be called on to make exports of against the availability in each instance.

Mr. DODD. This first column shows our total estimated production in total grains.

Mr. WIGGLESWORTH. In what?

Mr. DODD. In metric tons.

Mr. WIGGLESWORTH. Where does that appear?

Mr. DODD. Right at the top. It says "In thousand metric tons." Then it says "Total grains, 137,600 metric tons," of which quantity we think there will be available for export 12,352,000.

Mr. WIGGLESWORTH. For export where?

Mr. DODD. For export everywhere—to the whole world. That is total exports out of the United States anticipated for 1948–49.

Now, to the participating countries, in the next column, that is 7,485,000 tons, which is 5.4 percent of our production.

Then we had to take the occupied areas and show those, and we had to show China, Trieste, and then all others, which is the balance of our exports.

But the second-column figures show the total anticipated availability for exports out of the United States for 1948–49, assuming the crops come through as they now appear.

Mr. WIGGLESWORTH. What is the final column "Percentage of total exports"?

Mr. DODD. That is to all other countries than those listed here; that is countries other than those listed on this sheet.

Mr. WIGGLESWORTH. Does that mean against the total grains available that we are going to be called upon to export 24.4 percent or 9 percent?

Mr. DODD. Nine percent. That is the total of which 60.6 percent of the 9 percent would go to the participating countries, because you had 7,485,000 tons compared to the 12,352,000 that we think are available for export.

Mr. WIGGLESWORTH. In other words, you are going to export 33.7 percent of the rice, 25 percent of pulses, 25.8 percent of processed milk, and 33.8 percent of tobacco?

Mr. DODD. That is correct.

Mr. STEFAN. Percent of what?

Mr. DODD. Of our total production.

Mr. WIGGLESWORTH. That does not give us any comparison with what has been done before.

Mr. DODD. No. We can do that. I do not know whether we can do it by Monday morning or not, but we can try.

Mr. MAHON. You are talking about prewar?

Mr. DODD. Yes.

The CHAIRMAN. It is not so necessary that we have all of that by Monday.

Mr. DODD. Would you like to have it for the past 2 years?

The CHAIRMAN. I would say so, and if you can give it to us by Tuesday, it will be time enough.

Mr. DODD. Now, if you would like to have the table made up in some different shape, we will be glad to do that. But we had first to take the best estimate of total production and supplies and look at the domestic needs and determine how much would be available for export, and our best estimate presently is that out of the 137,000,000 of production there would be 12,000,000 available for export. That is based on agricultural consumption and current domestic demands.

If you would like to have it in some other shape, we can put it together for you.

Mr. WIGGLESWORTH. What I would really like is a table which shows the estimated production and the estimated consumption at home against that production.

Mr. DODD. The difference, of course, between the 12,000,000 and the 137,000,000 would be our estimate of the amount available for consumption in this country.

Mr. WIGGLESWORTH. In other words, the normal exports are included in this 9 percent?

Mr. DODD. That is correct—our South American flour and Philippine wheat and flour and some small shipments to India that normally we have always had. And historicaly we have not exported very much outside of wheat and rye and flour in total grains. We have always exported a little but never a very large amount of coarse grains.

Mr. WIGGLESWORTH. Is the difference between column 1 and column 2 in every instance the actual demand in terms of consumption at home?

Mr. DODD. The difference in each case represents the amount available for consumption including an amount necessary for reserves.

In rice, every year since the beginning of the war, we have increased our rice production and are getting up to the place now where we have a great deal more rice than we can possibly use in this country; so we have to balance that by exporting a sizable quantity of it.

There are a few of these where you have to add to our estimated production in this country what imports we get, and then the difference would be what would be available for export. I think we import more fats and oils than we ship out, and the same is true of sugar. We import more sugar, because our own production is not enough to take care of the American consumption.

Mr. WIGGLESWORTH. What I would like would be a table to show the estimate of availability by items in column 1, that is, production plus imports.

Mr. DODD. You would like us to add imports?

Mr. WIGGLESWORTH. Yes. And then I would like to know what your estimated consumption for 1948–49 is in each instance and, third, what the actual consumption has been in the year preceding that and prewar, we will say, for comparative purposes, and then in column 2 the estimated total exports and percentage.

Mr. DODD. The tables from which we built these, of course, have all those figures available, and it is only a matter of putting them in the order in which you want them. We have been going through the process in the Department of Agriculture ever since before the war. In trying to step up our goals in this country for the major crops, we look at the domestic demand and the export demand and try to establish the acres that will be large enough to meet those demands.

Mr. WIGGLESWORTH. But this is the reverse process.

Mr. DODD. That is right. But we do have the figures available from which to build this table.

(The information requested may be found on p. 384.)

AGRICULTURAL PRODUCTS NOW SELLING BELOW PARITY

Mr. KEEFE. I would like to inquire whether or not there are any agricultural commodities that are now selling below the support price program as fixed by existing law.

Mr. DODD. There are a very few of them, Mr. Keefe, that are selling below.

Mr. KEEFE. What are they?

Mr. DODD. Eggs, in a few places, perhaps; poultry, in a very few areas. But, taking the country as a whole, they are not selling below, but in a few areas they are selling slightly below the support price.

On tobacco, if it was not for the loan program of Commodity Credit, of course, tobacco would be below. Some went under Commodity Credit loans rather than force the price down on the open market.

Mr. MAHON. You support the price up to 90 percent?

Mr. DODD. That is correct. Hay is selling below, but we do not have any support program on hay.

Apples are selling below parity, and we do not have any compulsory program on apples, except, you remember, the act says on all other commodities, except Steagall, insofar as funds are available, and in the over-all total, you will try to bring them up to the same level as the other.

We have had some large purchase programs for apples to put in the school lunches and those things.

Grapefruit and oranges, citrus fruits, are in very bad shape. We have done everything we can with the funds available to bring them up, but they are still in bad shape in relation to parity. It is not compulsory.

Mr. KEEFE. I understand. They are not basic under Steagall.

Mr. DODD. They are neither basic nor Steagall.

I mentioned eggs and chickens. In some areas, they are slightly below 90 percent, but in others they are above.

Mr. KEEFE. As to those articles involved in the European feeding program, are there any items to be shipped that are below parity?

Mr. DODD. There probably will be some.

Tobacco and dried fruits are two of the really important commodities, and dried skimmed milk, where we do need to maintain some pretty large outlets, or we are in serious trouble in this country.

PROCUREMENT PROGRAM CONTEMPLATED UNDER ECA

Mr. KEEFE. What is the procurement program that is contemplated under this ECA program?

Mr. DODD. I think that is one that ought to be addressed to the Administrator of the program, Mr. Congressman.

Mr. KEEFE. Well, as Under Secretary of Agriculture, do you have any present knowledge of what the contemplated procurement program is to be under this program?

Mr. DODD. No, sir; I do not have. Of course, as you know, Commodity Credit has been used as the procurement agency for some items for the Army, for the occupied areas, and for some foreign countries in wheat, because of the necessity to hold competition to the lowest possible level, or prices would have gotten away from us. There is no question about that.

EFFECT OF PROGRAM PROCUREMENT UPON PRICES OF AGRICULTURAL COMMODITIES

Mr. KEEFE. The reason I ask that question is because when Mr. Bruce was before this committee asking for supplemental appropriations for export control, I asked him this question:

Mr. KEEFE. I think it is quite clear if the Government through its Commodity Credit Corporation or some department of the Government makes purchases at inordinately high prices, which perhaps they have done occasionally, do you inquire into that?

Mr. BRUCE. Well, we have no mechanism for doing that.

Mr. KEEFE. But if a private exporter indicated the export commodities were priced at an inordinately high price, you would feel that for the protection of the purchaser as well as the protection of the economic structure of this country, it is a proper field for inquiry?

Mr. BRUCE. I think that and I think all of us who have anything to do with export controls think that. The reason why so many of us connected with export controls have such a strong feeling against any extension of Government procurement is because the more you handle that through Government, whether this Government or a foreign government, the less control you have over any abuses that might arise out of that type of procurement. Of course, in the purchase of grain, and so forth, you have a pretty tight and close market, and it would never come up; and as far as the things I am familiar with in Government procurement, I do not think it would come up. But if under ERP you had purchasing agents buying commodities from outlets in this country like machinery, I think you might run into some mighty nasty price situations.

Mr. DODD. I do not think that has ever been contemplated. I do not think it has ever been discussed. I think it was always the intention that it would be handled through private operation through business firms themselves, and no Government procurement has ever been discussed, as far as I know.

Mr. KEEFE. What concerns me is the inflationary situation that is upon us in this country, that is clearly obvious and evident to every housewife, especially in this country.

Mr. DODD. That is right.

Mr. KEEFE. And I know it is clearly evident to me when I go in and try to buy something to eat.

Mr. DODD. To me, too.

Mr. KEEFE. We all know that. And if that condition continues and prices continue to spiral and rise, what is going to happen to the ultimate procurement for Europe under this program out of the available funds?

Mr. DODD. Of course, if prices continue to go up, that would mean they would just buy less of those items with the money.

Mr. KEEFE. It means the units would have to be depreciated and the program contracted to that extent?

Mr. DODD. That is right.

Mr. KEEFE. In supplying goods to these participating countries?

Mr. DODD. That is correct.

Mr. KEEFE. Now, you are sort of between the devil and the deep blue sea, then, are you not, on this program?

Mr. DODD. That is correct; yes, sir.

Mr. KEEFE. If prices tend to drop on basic commodities, on this which you are presently supporting, below the support price, then you have to go in and buy those under existing law to hold that price up.

Mr. DODD. That is right.

Mr. KEEFE. And the housewife does not get the benefit of that slump.

Mr. DODD. The housewife frequently does not get the immediate benefit of a drop in farm prices.

Mr. KEEFE. What is the answer to this thing, Mr. Dodd?

Mr. DODD. I do not know. It is one we have been working on for a long, long time. When eggs and many other commodities move from the farms to the Washington housewife, they cost the housewife so much more than the producer receives for them, something is wrong with the distribution system. When the man who raises wheat gets only 2½ cents for the wheat that goes into a loaf of bread that costs you and me 14 or 15 cents to buy, there is something wrong.

Maybe it is too much service, or something like that; but I do know that the farmers themselves are not the profiteers. The prices that farmers are getting, I think you will concede they are entitled to, pretty generally, because of their costs; and I think you can say that for every one of them starting with the dairy farmer and going on down to the grain farmers. The price they get is not too high but after the products leave the farmers' hands and by the time they get to the consumers, there are a lot of things happen that we do not know the answer to.

Mr. KEEFE. If this continues at its present level and the impact of foreign buying hits our economy, we must give some consideration to this matter if we are going to see that this program works.

Mr. DODD. That is right.

Mr. KEEFE. Judged by procurement of units of food, rather than mere price; isn't that true?

Mr. DODD. If wheat is $3 a bushel rather than $2 a bushel—that is our support level—you know there is going to be one-third less wheat available for shipment; and it also forces prices up on the people in this country who have to use the wheat.

EFFECT OF ECA PROGRAM ON INFLATION

Mr. KEEFE. I understood your answer, Mr. Dodd, to my general question, as to the effect of this ECA program on the possible acceleration of inflationary processes here at home was that in your opinion it would not contribute to the acceleration of inflation at home. Did I understand you correctly?

Mr. DODD. I think that is right, Mr. Keefe. I qualified it by saying that if we reduced the amount we were shipping as compared with what we had shipped in other years and had a normal crop, it should not be a contributing factor to inflation.

Mr. KEEFE. Do you disagree with Secretary Harriman in that regard?

Mr. DODD. I do not know; I have never discussed it with Secretary Harriman.

Mr. KEEFE. I have been advised that in testifying before a Senate committee on this very bill, he stated that it ought to be clear to any person that a program of this magnitude would inevitably have an inflationary impact upon prices here at home.

Mr. DODD. Secretary Harriman was probably talking of the whole program as it affected all commodities. I was talking only as to agricultural commodities. That might be the reason for the difference.

Mr. KEEFE. I believe you further stated that you have not partici-

pated in the policy-making determination as to the procurement policies that will be followed in connection with the procurement of food under this program?

Mr. DODD. That is correct.

EFFECT OF GOVERNMENT PURCHASES ON MARKET PRICES

Mr. KEEFE. Do you agree that the policy that may ultimately be adopted in the matter of procurement may have a very definite effect upon the market-price structures of food commodities in this country?

Mr. DODD. Yes, sir; I do.

EFFECT OF GOVERNMENT PURCHASES ON MARKET PRICES

Mr. KEEFE. I made somewhat of a study of the statistics furnished me with respect to wheat prices on the Chicago Exchange in relation to the matter of Government purchases of wheat. I placed those statistics in the Congressional Record sometime ago, which very clearly showed, to any unprejudiced mind, that there was a direct relationship between the rise and fall of wheat prices on the Chicago Board and Government purchases of wheat.

I wonder, in the over-all picture, how we are to protect the American consuming public against further additional inflationary price rises in those items that go to make up the bulk of the housewives purchases, unless some serious thought is given to this question of procurement; and I wonder who there is in connection with this matter and what would be the proper time to ask about that.

Mr. DODD. I think the Administrator, Mr. Congressman, will be the only one who can really determine how procurement policies are going to be handled.

DEVELOPMENT OF PROCUREMENT POLICY UNDER PROGRAM

Mr. KEEFE. How have they been handled up to date in the shipments that have already been made under this program?

Mr. DODD. Up to date, on the procurement of grains they have been largely Commodity Credit purchases.

Mr. KEEFE. That is the same procurement policy that has heretofore been invoked in the relief programs?

Mr. DODD. That is correct; yes, sir.

Mr. KEEFE. So that, so far as procurement under this program is concerned, and under the funds provided under this law, perhaps due to the hurry, the exigencies of the situation, the same procurement policies have been indulged in that were indulged in in connection with the various and sundry relief programs?

Mr. DODD. For the short time that has been in operation, that is correct. There was the necessity to get some food rolling immediately.

Mr. KEEFE. In order that I may have a direct answer to the question, may I ask Mr. Nitze if there has been a determination, up to this time, as to procurement policy that is to be adopted by the Administrator in connection with this program?

Mr. NITZE. As I understand, the Administrator proposes to use the private procurement technique as fast as he possibly can.

Mr. KEEFE. Just what do you mean by that?

Mr. NITZE. It will take some time to develop the full techniques under which private procurement can operate under the program. It requires consultation with various groups to see that the price provisions, the banking provisions, and payment provisions are soundly worked out. As soon as those can be worked out and implemented, it is proposed to use the private procurement technique.

Mr. KEEFE. We are speaking of an over-all program which envisions, according to the estimates that are before the committee, some $13,656,000,000, of which $5,222,000,000 are envisioned under the ECA program. When you say that he hopes to get into the field of private procurement, does that field of private procurement relate to the $5,222,000,000 or to the $13,565,000,000 that is envisioned as the total shipments from the Western Hemisphere?

Mr. NITZE. I was referring to the $5,222,000,000, the ECA-financed portion.

Mr. KEEFE. How would the private procurement technique operate?

Mr. NITZE. It would operate along the lines discussed with respect to tractors this morning and as discussed the other day with respect to petroleum products.

Mr. KEEFE. Then it is contemplated, as I understand it, that as rapidly as possible, a Government agency procurement, such as the utilization of Commodity Credit Corporation, to purchase ECA grain for shipment under this program will be restored to private purchase agreements in line with the general policy which you described in connection with the tractor program and the petroleum program; is that right?

Mr. NITZE. That is correct. I think there are certain considerations with respect to grain which might make it advisable to continue procurement through the Commodity Credit Corporation for a longer period. I think there may be other agricultural commodities in which the Administrator might consider that advisable. I do not believe he has had an opportunity as yet fully to explore that situation.

CONTROL OVER PRICES

Mr. KEEFE. Where are we going to get any control of the price situation here in America under such a program, and where is that control going to be, to protect the American consumer under such a program if private bidders are in the market bidding for these various items?

Mr. NITZE. As I understand, there are to be two controls; one would be the export control licensing system which would protect the domestic economy as against excessive drain.

Mr. KEEFE. That only goes to the question of excessive drain.

Mr. NITZE. That is correct. The second control would be through the Administrator in the form of the transaction which he approves as being reimbursable under ECA.

Mr. KEEFE. In other words, he would have the power to approve the price?

Mr. NITZE. That is correct.

Mr. KEEFE. He would have the power to approve the price equation that is involved in each transaction; is that correct?

Mr. NITZE. That is correct.

Mr. KEEFE. Before he would authorize reimbursement with ECA funds?

Mr. NITZE. That is correct. And the necesary documentation would have to be submitted before United States dollars would be paid out.

Mr. SURREY. That is now being worked out by the Administrator, sir. Procedures are about to go into effect whereby any purchase made through private chanels, to be reimbursed by the ECA out of these appropriated funds, will be reimbursed only where the price, the quality, and the quantity of the goods meet the standards which the ECA has established previously. Otherwise ECA will not be required to and will not reimburse.

Mr. KEEFE. Then we have a price control within the ECA, have we not?

Mr. SURREY. No, sir; it is not a general price control. But with respect to the foreign purchaser and the American supplier, the price of any commodity financed by ECA would be subject to ECA control.

Mr. CASE. It is merely price control over what is purchased to be sent abroad under this program; is that right?

Mr. SURREY. That is right.

EXPORT CONTROL OVER ECA SHIPMENTS

Mr. CASE. Does this export control apply to shipments by ECA? Can the Department of Commerce, under its export-control authority require ECA to conform to its ideas of what ECA should ship abroad?

Mr. NITZE. That is correct, sir. In practice the ECA would probably consult with the Department of Commerce; in fact, they are required under the act to do so; are they not?

Mr. SURREY. Yes.

Mr. NITZE. Prior to approving a program ECA would have consulted with the Department of Commerce to see that it fitted within the allocations and then in all probability the export licenses would be forthcoming.

Mr. CASE. Who has the final say?

Mr. SURREY. The act, in section 105 (c) provides that the Administrator and the Department which administers export controls shall consult with each other with respect to their duties that concern the other and if they do not settle their difference by consultation, the matter shall be referred to the President for final decision.

Mr. KEEFE. Let us see if we can get this down in plain, understandable English, as it applies to one specific commodity that will illustrate this situation. We will take tractors, because they are easy to understand, and relate them to France as one of the participating countries.

Now, by negotiation and as a result of the Paris conference it is determined that the French economy needs so many tractors to reestablish and assist in reestablishing its agricultural economy. It is found that certain of those tractors will be produced within France. Certain of those tractors they can purchase in the United States to be paid for with earned dollars; certain of the tractors are to be furnished as a gift under the European recovery program.

So the established representative of Macey Harris Co. or International Harvester, in France, knowing of this allocation and this program, decides that they want to participate and furnish tractors un-

der the ECA program as well as the over-all program, which may be paid for with earned dollars by France itself.

As to the latter situation, in order to ship tractors from America, first they have to get an export license from the Department of Commerce and show by proper documentation that the tractors which it is proposed to ship come within the over-all picture. Then they must come forward with an import license from France to show that France is willing to release the dollar exchange out of her own funds to pay for those tractors. That situation is understandable as an ordinary export transaction.

Now then, as to the tractors that are supposed to be furnished under ECA, again they have to get an export license from the Department of Commerce and an import license from France and there the tractors are proposed to be shipped and to be paid for out of the ECA funds and under those circumstances we make available to the European government that is participating in this program the amount of dollar exchange necessary to pay for those tractors that are being furnished under the ECA program; and the dealer in some part of France who expects to get one of those tractors and deliver it, in turn, to his customer, must pay for those tractors in local currency at the price stipulated in this over-all documentation; and that money is then paid into this fund which we have had heretofore described, that is available under the terms of the basic law, for expenditure, by agreement, between the participating country, in this case France, and the Administrator.

That, in substance, is the manner in which the program is expected to operate, is that right?

Mr. NITZE. Yes, sir.

Mr. KEEFE. So that opens the door to the free flow of commerce between this country and France to the extent that France is willing to release available dollar exchange to pay for that commerce. That is true, is it not?

Mr. NITZE. That is correct.

Mr. KEEFE. And we shall, in turn, release the tractors to France and that flow of commerce depends upon an examination of the over-all picture by the Department of Commerce to see that the tractors that are to be shipped are within the contemplation of the over-all picture.

Mr. NITZE. That is correct.

DETERMINATION OF PRICE OF ECA SUPPLIES

Mr. KEEFE. So that the other participating countries will not be kept out of the picture. Now then, who determines the price of that tractor, which is a gift under ECA? Who determines the price that shall ultimately be paid to the American manufacturer?

Mr. NITZE. It is contemplated that both parts of your division of the program—shall flow exactly the same way as far as the importer over there is concerned and the exporter here is concerned. The only difference between the two would be that in the one case the dollars are supplied by the Central Bank of France against the local currency and in the second case exactly the same thing would happen, but subsequent thereto the French Government would take the documents indicating that delivery had been made—the bills of lading, the purchase documents, all the documents necessary to establish the valid-

ity of the transaction—and submit those to the ECA Administrator and if the transaction fell within the specifications of the price provision and all the other provisions that the Administrator had laid down, then the ECA Administrator would reimburse the French Government with respect to that dollar exchange.

Mr. KEEFE. Then, so far as the free flow of trade is concerned, between this country and France, within the over-all limits in the matter of the sale of tractors, the field is open to all manufacturers of tractors in the United States, in connection with their ordinary and usual export business, if they can get orders from over there. Procurement would be from each of the individual manufacturing companies in America to supply the tractors within the limits of the over-all commitment, the total number of tractors, required, and each company would have to compete, in its own way; is that right?

Mr. NITZE. That is exactly right.

Mr. KEEFE. In the matter of procurement?

Mr. NITZE. That is exactly right.

METHOD OF PAYMENT FOR ECA SUPPLIES

Mr. KEEFE. And the question as to how they shall be paid would be determined by the portion of the export that is to be reimbursable to France out of ECA dollars as against that which they will pay out of their own dollar exchange?

Mr. NITZE. That is correct. There is one further point of explanation that I would make, and that is that both parts of this transaction would run exactly the same way. In either case, whether it is with France's own dollar resources or with funds coming from ECA, it would be the same. The only difference would be that in the second case, the ECA would, against the necessary documentation, pay dollars to the French Government and the French Government would put into this special account the equivalent in francs of the total cost to the ECA of that shipment of tractors; in other words, the amount of money that it had reimbursed the French Government.

PROBLEM OF COMPETITION IN CONNECTION WITH GRANTING EXPORT LICENSES

Mr. KEEFE. Now you see the difficulty that arises in such a program. I hope that it may never arise, but the question was very thoroughly discussed on the floor of Congress not long ago when we passed the piece of legislation removing the price criteria as the prime consideration in the matter of export licenses. We get into the field then of anticipatory criticism, because the whole subject of export is one that comes under the control of the Export Licensing Division of the Department of Commerce, company A, making tractors, company B, and company C, and company D, might have entree to the Department of Commerce to get approval of their export licenses and they ight foreclose company X, over here, that also has tractors that they want to sell. And so we get into a tremendous opportunity for concentration of that business, do we not, in the hands of whoever the Department of Commerce desires to have this export-control business?

Mr. NITZE. That is a subject that I am not qualified to speak to. I think the Department of Commerce could speak to that.

Mr. KEEFE. I will not pursue it at this time, but shall when we get to them. But I think Mr. Bruce very clearly recognized in his testimony that that was one of the most difficult problems that they had to contend with. Can you not see the situation, Mr. Nitze? I hope I have made it clear. I may have a tractor-manufacturing company in my district; George Mahon may have one in his district. There may be a hundred of them in this country, all of them wanting to participate in this program. Here is General Motors and International Harvester, or two or three of the big boys who have their plants and agencies abroad. They come in and take over the whole operation. Maybe that is not now a matter of prime consideration in view of the fact that there is a shortage of tractors in this country and it might open up an available avenue of distribution to these other people domestically, whom I am thinking of at this time.

Mr. NITZE. I am not sure that the answer to your question is not the number of tractors for which the French Government will grant import licenses; that will probably be a limiting factor. And the real competition would be among the various suppliers in getting the orders in France. That is where the field of competition would be. It would not be competition to get export licenses.

Mr. KEEFE. Thank you very much. I think I have gotten this thing cleared up in my own mind as to how it is contemplated that this will operate.

Mr. STEFAN. Have you finished your queries on the matter of price?

Mr. KEEFE. Yes; I think that is all I can get from these people.

PURCHASES OF COMMODITIES OUTSIDE THE UNITED STATES

Mr. STEFAN. Mr. Dodd, I should like to ask you about the price situation as to certain commodities. What are we buying in the Western Hemisphere outside of the United States in the way of foodstuffs and grains? Are we buying anything for ECA?

Mr. DODD. Not for ECA; no. We are buying a few fats and a few special products for importation into the United States, but not for ECA. We have also bought some Cuban sugar largely for use in occupied areas.

Mr. STEFAN. Not for further export?

Mr. DODD. Not at this time.

Mr. STEFAN. Are you buying any of that hard, flinty, Argentine corn and wheat? I understand they are selling some of their wheat for foreign export at $5 a bushel.

Mr. DODD. Some of the foreign countries have been forced to buy that because they could not find enough supplies either in Australia, Canada, or the United States. They have been forced to go to Argentina to supplement their stocks.

Mr. KEEFE. And they have used their money to do it with, have they?

Mr. DODD. Some of them have used their own money. I was thinking of Switzerland particularly. I was there last fall. They were forced to go there to buy, because they could not make the necessary contracts for their supply of wheat for the winter. They had to go to Argentina and pay $5.87 for wheat.

Mr. STEFAN. They paid $5.87 a bushel for wheat. I think they are paying almost $5 now, are they not?

Mr. DODD. It varies. I think it depends a good deal on the kind of contract that they make.

PURCHASES OF COCOA

Mr. STEFAN. You are buying about $39,000,000 worth of cocoa under the item, "Other foodstuffs," are you not? Will you tell us where you are buying that?

Mr. DODD. We are not buying it.

Mr. STEFAN. There is an item for cocoa in the ECA program, is there not?

Mr. DODD. That is correct.

Mr. STEFAN. Coming from the Western Hemisphere. Who is buying that?

Mr. DODD. Those people would buy it themselves. It is not a Government purchase.

Mr. STEFAN. I understand we have an item set up for cocoa in the ECA program. Are we furnishing the money for that?

Mr. DODD. Yes; part of the funds made available to them under this program would be used for that purpose.

Mr. STEFAN. Will you put in the record how much they are paying for cocoa and what the resale price is, where it is being purchased, and so forth? Will you give us the story on cocoa?

Mr. NITZE. No one is buying cocoa today. This program does indicate a certain amount of cocoa purchases by the participating countries in the Western Hemisphere.

Mr. STEFAN. It is about $39,000,000 worth, is it not?

Mr. NITZE. I believe it is less than that.

Mr. STEFAN. You gave me a break-down a little while ago of other foods and among those was cocoa and I understand there was $39,000,000 worth.

Mr. NORTHROP. That is the total dollars estimated from the Western Hemisphere.

Mr. STEFAN. $39,000,000?

Mr. NORTHROP. That is right.

Mr. STEFAN. Mr. Nitze says that is not right. Have you got that figure?

Mr. NITZE. That $39,000,000 is the value of the total shipments from the Western Hemisphere to the participating countries of which it is estimated that only $1,000,000 might fall within the category against which the ECA reimburses.

Mr. STEFAN. But the total amount is $39,000,000 of cocoa. Where do they get this cocoa; from whom do they buy it?

Mr. DODD. It is mostly from British territories, is it not?

Mr. NORTHROP. That is right.

Mr. DODD. They have the largest production of cocoa.

Mr. STEFAN. Where is that, Mr. Dodd?

Mr. DODD. I think possibly a part of it comes from British territories in South America.

Mr. STEFAN. It is being purchased in South America, British territories in South America?

Mr. DODD. The United States uses about 40 percent of the total.

The CHAIRMAN. The largest part of that does not come from South America, does it?

Mr. NORTHROP. It comes from British Africa where they produce about 50 percent of the world's exportable supply of cocoa beans. I am not a cocoa expert, but that is what I am informed.

Mr. STEFAN. The Department of Agriculture is going to get into this picture and you have a figure here of $39,000,000 for cocoa to go to those countries and you say that about $1,000,000 of that is ECA money. Is that right?

Mr. NORTHROP. We did put into our documents a cocoa figure, but we are not cocoa experts in our Department. This is a joint effort in Government. We can find out what the figures are. I am informed that about half the cocoa production in the way of exportable supply comes from British West Africa and the export price on that is very largely determined by the New York cocoa market price.

Mr. STEFAN. What is the market today?

Mr. DODD. Between 35 and 40 cents. It was up to 51 cents.

Mr. STEFAN. What is the retail price of it in Europe?

Mr. DODD. I do not know.

The CHAIRMAN. It is a crown monopoly in Great Britain.

Mr. DODD. They produce about two-thirds of the supply.

The CHAIRMAN. It is a crown monopoly.

Mr. DODD. There is no question about that.

Mr. STEFAN. Is that monopoly nationalized?

Mr. DODD. I do not know.

Mr. STEFAN. Who else has cocoa? You say the British have most of it?

Mr. DODD. About one-third of the world supply is produced outside of the British territories.

Mr. STEFAN. The British have all but one-third?

Mr. DODD. That is right.

Mr. WIGGLESWORTH. Do you mean that there is only $1,000,000 in the over-all total of $5,222,000,000 for cocoa?

Mr. NITZE. That is our estimate, in the item "Other foods."

Mr. STEFAN. Who is buying the other $38,000,000 worth?

Mr. NITZE. I think the $1,000,000 relates to shipments to Austria.

Mr. STEFAN. From where?

Mr. NITZE. The figures that I have here indicate that it is to come from Brazil, I believe. Then other countries are expected to import cocoa from the Western Hemisphere; Belgium-Luxemburg.

The CHAIRMAN. Does not Belgium have some of that in her own colonies?

Mr. NITZE. I think she has a production of 2,000 tons in her own colonies.

Mr. CASE. How much is she to get?

Mr. NITZE. She has a production of 2,000 tons in her own colonies.

Mr. CASE. How much does she get?

Mr. NITZE. We anticipate that she will import 12,000 tons from the Western Hemisphere, and an additional 12,000 tons from the British colonies, and will have 1,000 tons from her own colonies, or total imports of 25,000 tons.

Mr. STEFAN. Where is the rest of it going?

Mr. MAHON. Mr. Chairman, are we going to have an opportunity to ask some general questions before we take up the individual items?

The CHAIRMAN. That was my intention; yes. We have not yet finished with the over-all picture. We might as well finish this one item while we are at it.

Mr. STEFAN. I will defer my questions on this until we take up the item.

The CHAIRMAN. Are there any other general questions?

RELATION OF PROGRAM TO ECONOMIC CONDITION OF UNITED STATES

Mr. KERR. Mr. Chairman, I have some general observations I would like to make. I have sat here and listened to these hearings. I know something about the history of the passage of the ECA and naturally there have arisen in my own mind some thoughts about how ECA should be administered. Of course, Congress was responsible for this law.

Under the mandate of the Congress you are to administer the program, as I understand it; you are responsible for implementing this law, so as to make it effective. It is needless to contemplate the seriousness of the world situation. The impresison I get is that the other nations are depending on the United States of America, with only 6 percent of the people pledged, which have been doing for years one-half of the business.

Now, in order to continue to do business and keep our economic condition sound—and we are equipped, I think, to do the business that we have done in the amount we have acquired in the last several years—but in order to keep our economic condition sound, is it your good judgment, Mr. Dodd, that this Nation should help the other countries, and help those that have been dealing with us, in order that we might vouchsafe and make secure the business which we have been doing, and which we contemplate we can continue to do unless there is a world upset?

Mr. DODD. I think it is a good business risk, Judge Kerr.

Mr. KERR. That is the way it appears to me. Of course you have to come back to the committee and the Congress to get money to fully implement the law and to put it into effect, and I think that a great many of us believe it is absolutely necessary, if we want to continue our successful life, from an economic standpoint, and from any other standpoint, that we must continue to deal with the world; and the trouble about it is that unless we can deal with the world, unless we can keep up our business standards, which we have had for years, just what will become of us?

It appears to me that we will lapse into the situation that we are now trying to prevent the world from getting into—that is, the unrest causing all of the alarm—and unless we can continue the business that we have been doing and doing successfully there is bound to be a reaction in the end in this Nation, in this situation, so that we will find ourselves in about the same situation as the other nations of the world, because whenever the pay of labor goes down and the price of American products go down then we are going to hear about it; there is going to be unrest in this Nation as in the other countries.

Mr. DODD. Speaking in the agriculture field, Judge Kerr, if we lose our export markets, the prices are going to come down.

Mr. KERR. We have been exporting wheat.

Mr. DODD. Yes

Mr. KERR. We have been furnishing considerable wheat to Europe for years, and if that trade is cut down it means a reduction in a great deal of our economy, and that is bound to carry over into those who produce as well as the others who do business in this country

Mr. DODD. There are other commodities besides wheat which we have been exporting in large quantities from this country. I was thinking particularly of dried fruit, of tobacco—we have exported a very large percentage of our tobacco crops for many, many years.

Mr. KERR. Yes.

Mr. DODD. And if we cannot maintain markets for those surpluses I do not know what we will do with the agricultural plant which we have built up in this country.

Mr. KERR. The purpose of the ECA is really to get these people in Europe on their feet where they can do normal trading and can carry on their normal business activities with us.

Mr. DODD. That is my understanding.

Mr. KERR. That is my understanding. And as I understand the plan, when the Congress passed this law, the purpose back of the plan is that it would be administered along that line. Of course, as I say, you have got to come back to the Congress; you have got to tell us what has been accomplished, and then we will have to determine whether you should have more money.

Mr. DODD. That is right.

Mr. KERR. But here is the way it appeals to me—I have listened to my distinguished colleagues here discuss the items and I do not believe that I need to take time in going into them, but I do think, to be perfectly frank, that we have got to continue to do business, else we will be in just as bad condition as the other parts of the world appear to be in.

Mr. DODD. We have, in the agricultural field, the responsibility of furnishing to the Congress all the information you ask for that is available concerning this program. And I think we are qualified to do that, and we will do the best we can to furnish this committee all the information we have at our disposal in respect to the supply of any agricultural commodity at any time the committee may wish.

Mr. KERR. I think we can assume and we do assume that you have the same interest in the world's affairs that the Congress has and that the other people in this Nation have.

I believe that is all, Mr. Chairman.

PROPORTION OF ECA FUNDS FOR PURCHASE OF AGRICULTURAL CROPS

Mr. MAHON. What proportion of the funds which are being requested will be utilized for the purchase of agricultural crops? I believe you testified on that this morning.

Mr. DODD. My statement was that agricultural products will make up about one-half of the total value of anticipated exports during the first 15 months of the program.

Mr. MAHON. Nearly half?

Mr. DODD. The total from all sources of supply would be about half.

Mr. MAHON. The total would be about half. About what proportion of it would be from the United States, if you know, that is, of the gross amount.

Mr. DODD. As I mentioned before, agricultural commodities amount to almost half of the anticipated exports during the first 15 months. From 40 to 45 percent of these anticipated agricultural exports are shown from the United States.

On the basis of obligations as worked out by the State Department, ECA funds for agricultural commodities also represent about 45 percent of the total during the first 12 months. We do not, however, have information with regard to ECA obligations by supplying sources.

IMPACT OF PROGRAM UPON SUPPLY OF AGRICULTURAL EQUIPMENT

Mr. MAHON. I am interested to explore what you think the impact of the ERP would be on our economy. For instance, you have been asked already by Mr. Keefe and others whether this program might precipitate inflation in this country, and I have heard your testimony concerning that factor. I believe you have said generally speaking, you think the program could be carried out without undue hardship to the American producers.

Mr. DODD. Yes; I have so said.

Mr. MAHON. I would like to have you comment briefly on what you think as to the impact it would have on the farmers who want certain machinery and other items which are included for export? My point is that the domestic consumption in this country would exhaust the domestic production, if we were to permit such a thing to happen.

Mr. DODD. Of course, we in agriculture are very much interested in American farm equipment being made available to farmers.

Mr. MAHON. Yes.

Mr. DODD. But we are getting substantial expansion in farm equipment factories. We are getting some new factories; small factories are going into operation to manufacture certain items, and I think the increase in production in this country this coming year will provide enough to furnish this amount for export without taking anything that would have been available to the United States consumers if the expansion program had not taken place.

Mr. MAHON. Do you think the farmer as a whole will sustain a severe pinch by reason of his inability to get sufficient agricultural machinery?

Mr. DODD. No; not from the productive standpoint. I think most everyone feels, as long as prices are up, and wages are high, that they would like to buy all of the modern equipment they can and as fast as they can get it.

Mr. MAHON. But you do not think that will have any adverse effect on our economy?

Mr. DODD. I think our production record for the last 5 or 6 years is sufficient to prove that our economy has not been harmed.

Mr. MAHON. The individuals may have been harmed.

Mr. DODD. Yes.

Mr. MAHON. But the over-all productive machinery is still going in high gear.

Mr. DODD. Yes; and I believe it is better than 30 percent more production than we had prewar.

EFFECT OF ECA PROGRAM UPON MAINTAINING PRICES FOR AGRICULTURAL COMMODITIES

Mr. MAHON. Now, if we export surpluses of wheat and other grains and other foods, naturally those products will not pile up here in the home field.

Mr. DODD. That is correct.

Mr. MAHON. To depreciate our markets.

Mr. DODD. It takes just one wheat crop such as the one that is now estimated we will have for this year, and if we do not have any export markets, it would be sufficient to create a surplus and we would find ourselves in a position similar to that following the last war, price wise. Storage facilities also would be inadequate. We have seen such times in past years when we have had more than we could store.

Mr. MAHON. In a small way, using myself as an example, I am a grain and cotton farmer. What will the effect of this program be on the price I am to get for my crop?

Mr. DODD. I think that any program of the magnitude of this with respect to food will assure you of getting a pretty fair price for your crops.

Without such a program, or something comparable, I think you could be fairly sure of a much lower price in this country.

Mr. MAHON. You think the wheat farmers of the great West—and some of them in my own district—if this program should be stopped right now, and if we should say we will not appropriate money for this program, would find themselves with a crop for which they would receive a lower price; or what do you think would happen to the wheat farmers, for example, without ECA?

Mr. DODD. Well, using myself as an example, and referring to what happened to the wheat farmer in the early twenties, when the outlet for wheat was stopped. The price of wheat dropped from $2.50 to 85 cents. It just happened that I had a warehouse full of wheat that had cost $2 to $2.50 a bushel, and I had barley that had cost 80 cents a bushel to produce. Before I was able to get it marketed, the next spring the price had dropped to 20 cents a bushel for the barley and 85 cents for the wheat. That is what happened to me, and it is a good example of what can happen to the price of wheat when you stop exporting it in a time like that.

Mr. CASE. What is going to happen when Europe quits taking it?

Mr. DODD. If we cannot keep a market for our wheat, that is, if Europe cannot continue to purchase wheat, I do not know what will happen.

The CHAIRMAN. We know we cannot maintain Europe as a purchaser on any such scale as we are setting up here. There is not any question about it; they never have been and they never will be.

Mr. DODD. Europe has used a large amount of grain, Mr. Chairman.

The CHAIRMAN. What kind of figures? We have not been exporting any wheat for a long time.

Mr. DODD. I agree with you as regards prewar exports.

The CHAIRMAN. Not much grain to Europe.

Mr. DODD. But they were getting their imports from eastern Europe and from other countries.

The CHAIRMAN. Yes, and they will continue in the days to come, and we are going to have as much competition, and that competition will be with commodities produced with slave labor and regimented labor, and they are going to be able to undersell us. There is no use kidding ourselves about it, that is the situation we are going to be up against.

Mr. DODD. Then if we are not able to protect ourselves against that situation we are going to be in a very serious situation.

The CHAIRMAN. There is no question about that.

Mr. MAHON. This program that you are now outlining is for that purpose.

Mr. DODD. Yes.

Mr. MAHON. If today that program were stopped we would find our country piled up with vast surpluses which would depress the market for commodities which are now being raised.

Mr. DODD. I think you would see one of the greatest crashes in the commodity market you have ever seen in the world if this program were cut off.

Mr. MAHON. I think it might be the greatest. But we have machinery to take care of that for a short time, by way of loans, during 1948.

Mr. DODD. That would be only temporary, of course.

Mr. MAHON. We have legislation that would cover this crop year.

Mr. DODD. The Commodity Credit Corporation would have to bridge the gap.

Mr. MAHON. Yes.

Mr. DODD. But if this were done it would still mean the commodities would be piling up in the hands of the Commodity Credit Corporation.

Mr. MAHON. And the United States taxpayers would be holding the bag.

Mr. DODD. Yes; that is right.

DISCUSSION OF PROGRAM AS MEANS FOR DISPOSAL OF SURPLUSES

Mr. MAHON. So in a way it seems to me that this program of disposing of our surpluses offers an alternative to drastic regimentation of our farmers and an immediate collapase in the price of farm crops.

Mr. DODD. That is correct.

Mr. MAHON. And permits the sale abroad of these commodities this year, and of course the farmers are temporarily protected on account of the support price under the provisions of the present law.

Mr. DODD. There is no question, Congréssman—and I am talking from the standpoint of the American producer when I think of the present prospects of production—the tobacco producer, the dried-fruit producer, the wheat producer—I do not know what we will do with the production we have in sight if we cannot find a suitable market. We have prospects for one of the best crops of wheat, for instance, out in your district, Congressman Stefan, they are producing more wheat than they ever produced in the history of the country before, and that is not only true with wheat but it is true of many other commodities. I do not have any doubt but that, if we just shut off this program, we would find ourselves with very large surpluses. I do not know how we would be able to dispose of them.

QUESTION AS TO THE EXPORT SITUATION AT END OF LONG-RANGE PROGRAM

Mr. KEEFE. May I interpose for a question, Mr. Mahon, and I will not interfere with your line of thinking. I just want to ask this question: We have been submitted, in this present program, what appears to have been a well-thought-out program for the reconstruction of the economy of the 16 participating countries.

Mr. DODD. That is correct.

Mr. KEEFE. Designed to ultimately get them back on their feet as a self-sustaining economy. I have not heard very much discussion here as to what the long-range project contemporaneously with that thinking is as applied to what is going to be the situation here in America at the end of this program, and that relates directly to what Mr. Mahon has referred to.

Mr. MAHON. That is the question, the effect of the program, that I am leading up to.

Mr. KEEFE. Of course, I can see, if we can continue this program for 4 years, with the Government supporting the program, and with the export buying, that we are going to maintain a high level of prices here for American agricultrual products, but when we get the European nations on a self-sustaining economy what does the planning behind this whole picture indicate for America?

Mr. DODD. The planning contemplates that the 16 countries could continue to import commodities from us.

The CHAIRMAN. How can they do it?

Mr. NITZE. On page 111 of the original presentation of the plan, there is a summary of the program projected over a 4½-year period. I might refer to some of those figures although they should be taken with a grain of salt, because it is impossible to predict accurately on prices and costs. The best estimate that could be secured at this time shows that the value of European imports from the United States has been estimated at a level of 5.209 billion dollars for 1949–50, and when we get to 1950–51 it is 4.8 billion; 1951–52, 4.6 billion, indicating that there is not a very drastic decline. I think there will be some declines——

Mr. KEEFE. In this entire program.

The CHAIRMAN. Of course there will be.

Mr. NITZE. The amount of deficit in balance of payments is different, of course, from the value of exports. For 1951–52 the deficit is estimated at a low of 1.7 billion and a high of 3.3 billion, with a corresponding reduction in the amount of money that would be needed in the form of grants or loans at that time.

It also shows by the end of 1952 the industrial expansion in the program in Europe necessary to get them up to a level where they could produce exports. On the other side of the table you will see the amount of requirements for capital equipment and raw materials necessary to keep them approximately in balance.

I think the point is, that as far as anyone could foresee at the time the estimates were made, Europe would continue to be a substantial importer from the United States, although not as great a one as is contemplated in the next year. There are many of our export items, coal for example, for which we could not foresee a continuation of exports to the same degree, but so far as food products are concerned

she would be a continuing market for the United States just as Europe has always been an importer of foods.

Mr. CASE. I think there are three things that may be considered: One, by increasing the exportation of these goods we build up the industrial ability of the European countries to produce; second, that we can continue to export to them if they have the dollars to pay; and, third, if they do not develop their trade with the eastern European countries, or Asia, rather than with us.

ESTIMATED FUTURE EXPORTS TO UNITED STATES FROM EUROPEAN COUNTRIES

Mr. NITZE. These figures indicate, and the best judgment then was that their exports to the United States might be raised from approximately 2 to 2.7 billion in 1952.

They might increase somewhat further thereafter, perhaps up to one-third greater.

Certainly the United States could use an additional billion dollars' worth of things from the European countries and their dependent overseas territories are the sources of commodities which we very much would like to have in this country, such as strategic and basic raw materials. There are many things we need very much and want to have in increasing quantities.

There are also certain types of goods which we feel this country could absorb without injury to our own economy, and which might amount to a half or a billion dollars. A billion-dollar increase against our own national production of $200,000,000,000 is not a large item.

DISCUSSION OF PROGRAM AS MEANS OF DISPOSING OF SURPLUS COMMODITIES

Mr. MAHON. Mr. Dodd, I was trying to contrast the needs.

As I have understood your testimony, you say that the wheat farmer and the corn farmer, to a lesser degree, and other farmers are going to have to face a very serious situation if these products are not disposed of overseas, or unless the Government buy them, by way of loans through the Commodity Credit operation in the country, which you say is a temporary stopgap.

Mr. DODD. Let us hope it is very temporary, because we cannot afford to have those surpluses hanging over our heads.

Mr. MAHON. And they cannot be held for years, and even if Congress continued the program it is an expensive procedure.

Mr. DODD. That is correct.

Mr. MAHON. And it is too late, for this particular year, because there is no time to readjust production and to go into a program of acreage control to prevent the overproduction for our domestic uses.

Mr. DODD. I hope we never have to go into that kind of a situation again, because it so happens that I have all the money I have invested in farming, and if you are going to cut down my production on the farm it means that I would have less income, and therefore, I would be able to pay that much less for materials needed on the farm. I would certainly hope that we can work out some sort of a program in the United States so that the farmer could be assured of a market for some of the products he can produce over and above the requirements in this country.

And, also, I would like to state here that I am not too delighted with the outlook for the future. I have been accused in times past of being a poker player, and I have held some hands that I did not like to hold, and yet I had to play them, and it looks like we might be holding some hands now that we might not like to hold.

Maybe it is bad business to go ahead with this kind of a program, yet looking at it from the standpoint of the American farmer—and that is the only standpoint I can speak of, because I am not qualified to discuss any other phase of the situation—it would be difficult to make an adjustment in a hurry—I think if we are given a few years we can work out some such plan—but if we have to make some such adjustment of our production to needs, I think this offers one of the most promising programs we can use, viewing it from the standpoint of the farmer.

Of course, we grow some specialized crops for which a big portion of the production historically has gone into export.

But if we are just going to close down on this program overnight it looks like the farmers are going to be in a terrible situation. That is particularly true of the tobacco farmer, of the fruit grower and the growers of many other commodities, in addition to the wheat grower about whom we have been talking. It will be a blow to the tobacco producers if they have to reduce their acreage 40 percent or more, take that out of production, a commodity which for a hundred years we have been shipping abroad.

Mr. MAHON. Do you have some hope that by working along with this program for 3 or 4 years that we may be able to help these countries in western Europe get on their feet in order that they may be able, to some considerable extent, to continue as good customers for our products?

Mr. DODD. Yes, I do. I think it is worth that chance, and in taking that chance it will help our own farm problem, and not only that but it will continue to create business, and help business at the same time.

The CHAIRMAN. But they never have been good customers in the last 15 years.

Mr. DODD. Yes, I agree with that, Mr. Chairman. Of course, a part of that is because of their desire to have armament protection, because of the war scare; if we could enable them to get in as good position as they were in the twenties——

The CHAIRMAN. That is the trouble, they never have been using the money they had to improve their own economy; they have been building the implements of war instead of building up their standard of living.

Mr. DODD. That is a part of it.

The CHAIRMAN. That is exactly what they have done; there is no question about it.

Mr. DODD. They keep the price of some of their agricultural commodities so much above the world price; that is instead of raising a decent diet for their own people they have simply spent much of their money for implements of war rather than for buying food.

Mr. MAHON. If we abandon exports of farm crops overseas and if the CCC did not support farm prices, would you not have an overnight drastic reduction in the cost of living? Of course, I would not favor abandoning exports or the Commodity Credit Corporation.

Mr. DODD. I do not think you would have any overnight drastic cut in the cost of living, because this stuff is already in the pipe line, and the commodities that are in the hands of the distributors would not be of particular benefit to the housewife, but certainly if the farmers are sold out it would have an immediate adverse effect on the business of this country, because if you do not have an income for the farmers certainly you will not have a market for very many tractors or other commodities that farmers buy. And the railroads are running their cars both ways, taking products off the farm and are taking manufactured articles back over the railroads into the rural areas, and the lack of income would not only be felt by the railroads and by the manufacturers, but in the little communities where the farmers live you would see the results in lack of purchasing power.

Mr. MAHON. I agree with you fully, but I wanted to have your statement on that. I for one agree with you that we have got to dispose of these surpluses and I am willing to gamble in the way that we have to do under this program; it is not going to be perfect, but at the same time I do not know what we can do about it otherwise.

Mr. DODD. As I indicated, the people on the farm are not the only ones who will suffer, nor the manufacturer, but also the people living in the small towns in the rural areas. They are just about as much interested in having a good income to the farm population as the farmers themselves, because with no purchasing power on the farm the people around the small towns are adversely affected, because with no money coming in from the agricultural products there is no market for their supplies, no sale to the purcaser, and no money going back to the factories.

Mr. MAHON. If you paralyze the farmer then you are going to have eventually a paralyzed industrial economy.

Mr. DODD. I do not think there is any question about that, and we certainly have that problem before us unless we find some means of disposing of our surplus commodities.

DISCUSSION OF SHARE OF FARMER IN NATIONAL INCOME

Mr. KEEFE. The farmer is not getting an inordinate portion of the national income at the present time, is he?

Mr. DODD. No; I think he is getting less than his share of the national income.

Mr. KEEFE. You indicated before lunch, that so far as wheat is concerned, out of a 14-cent loaf of bread the farmer gets about 2 cents; is that correct?

Mr. DODD. That is correct.

Mr. KEEFE. And that the delivery boy who delivers it from the bakery to the corner store gets about the same.

Mr. DODD. He gets about as much, and when I was selling wheat at 50 cents the delivery boy was still getting 2 cents for delivering it from the baker to the urban area.

Mr. KEEFE. There are a lot of participants in the price of bread, between this 2 cents which the farmer gets for that wheat that goes into a loaf of bread and the 15 cents that I have to pay for the loaf.

Mr. DODD. That is correct.

Mr. KEEFE. And that is true of everything else.

Mr. DODD. That is true to a lesser degree of dairy products and meats, but it is true in other items of food. If we could have a distribution system that would work, whereby the farmer would get a larger percentage of the consumer's dollar, then the condition, in my opinion, would be greatly helped. One of the difficulties we have is a distribution system that will not cut down the costs of distribution; and one of the costs of distribution is the transportation factor.

Mr. KEEFE. I have been looking, quite a few years, for someone to come up with the statistical information that might have been derived out of these various and sundry investigations that have been undertaken by various committees, and I have yet to find the answer to the proposition, except there are certain people who claim that the farmer is gouging the American housewife and he is blamed and bawled out for high prices, when as a matter of fact there are a lot of factors involved in that picture besides his price.

Mr. DODD. That is correct. There are many items entering into the price which the housewife pays. There have been increased wages, warehousing costs, processing costs, which are tremendous factors. You also have the retail merchant's profit, which is pretty big again. When you trace the raw material back to the farmer who raises the wheat in your district, Mr. Stefan, or some other commodity out in Iowa, I do not believe you will find that he is profiteering.

Mr. STEFAN. For instance, in the case of eggs which are selling for 34, 35, or 36 cents, or up to 38 cents in our area and are selling for 98 cents in Washington.

Mr. DODD. I had the same experience; I came through Des Moines and Omaha, just recently. In Omaha I bought a dozen eggs for 30 cents a dozen; and in coming through Des Moines I bought a dozen eggs for 30 cents, retail, and yet when I got to Washington I had to pay 80 cents.

Mr. STEFAN. And right down here not more than 50 miles out of Washington you buy eggs at 40 cents retail, which are selling for 70 cents a dozen to people right in stores in Washington, and that is not more than 50 miles away today.

Mr. DODD. The Research and Marketing Act which the Congress passed provides for research into marketing.

Mr. STEFAN. But what comes out of it, Mr. Dodd? I have introduced a bill which would provide for setting up a distribution system and have been trying to interest agencies of the Government in a study of that bill.

Mr. DODD. I have not seen it as yet.

Mr. STEFAN. It has been introduced for several months, and none of the governmental agencies, particularly the Department of Agriculture, has, to my knowledge, made any statement favorable to it. I would think they would be interested in helping solve the transportation and distribution system of America and to eliminate some of the things that we have been talking about.

Mr. DODD. It is pretty bad.

Mr. STEFAN. Maybe I can get your help in passing that bill.

Mr. DODD. I am sorry, but I do not have a vote, however, I might be able to give you some assistance.

Mr. STEFAN. You have more than a vote.

Mr. Dodd. The same thing applies to fruit not very far out of Washington, down in Winchester, for the price the farmer gets for his apples as compared to what you have to pay for them here.

Mr. Stefan. I got five big apples for 3 or 4 cents apiece that cost 15 cents apiece here.

ABILITY OF EUROPE TO ABSORB IMPORTS IN ESTIMATED INCREASE ABOVE PREWAR LEVEL

Mr. Wigglesworth. I notice in the statement you gave us this morning, in terms of prewar, you contemplate exporting from this country, fats and oils, 154.7 percent, sugar, 313.6 percent; meats, 109.8 percent; tobacco, 148.9 percent.

Mr. Dodd. Is that in table 1?

Mr. Wigglesworth. Yes.

Mr. Dodd. That would be only horsemeat insofar as the United States is concerned.

Mr. Wigglesworth. Is it your view that Europe, at the end of this program, can continue to absorb any such increases in these commodities.

Mr. Dodd. Europe probably would need more of them than she will be able to buy. I know the people in Europe would buy more than that if they can.

Mr. Wigglesworth. They would take more than 313.6 percent of prewar?

Mr. Dodd. Yes; they need more than the program contemplates in food commodities.

Mr. Wigglesworth. They never had them before, did they?

Mr. Dodd. Yes, they had a much larger livestock economy, a larger livestock population, and they would like to have much higher dried-fruit imports.

Mr. Wigglesworth. That does not show up in this table in terms of fats and oils, sugar or tobacco.

Mr. Dodd. This table 1 shows imports.

Mr. Wigglesworth. When did they have greater than 316.6 percent prewar for sugar?

Mr. Dodd. They produced a larger part of their sugar, prewar. This only has to do with imports; and this is not the total amount available for them.

Mr. Wigglesworth. You do not contemplate then that they would continue to import at any such level?

Mr. Dodd. Probably not at these levels from the United States. If they build up their own production——

Mr. Wigglesworth. Which is the objective of this program.

Mr. Dodd. That is the objective of the program; that is correct.

Mr. Wigglesworth. Then it is possible there would be a very substantial falling off in these imports at the end of the program?

Mr. Dodd. This is not United States sugar. The United States produces no sugar for export; but it is sugar that we have to take into consideration.

Mr. MAHON. Mr. Chairman, it seems to me, that in the interest of orderly procedure, we should start with the bread grains and coarse grains and get all the information we want about grains; and then take up the item for fats and oils, and eventually get down to cotton. I am very much interested in the cotton figures.

The CHAIRMAN. Incidentally we started off with tractors and we never did finish with that item.

Mr. DODD. Mr. Chairman, if it meets with your approval I will have Mr. Northrup present the figures to the committee; he has been living with them for about 6 months, and I will supplement his statement by any information I have.

BREAD GRAINS AND COARSE GRAINS

Mr. WIGGLESWORTH. The first item appearing on D–4 is for bread grains and coarse grains.

Mr. MAHON. I think the record should show approximately how much is contemplated for the different types of grains: how much sorghum, how much corn, and how much wheat.

Mr. DODD. We cannot give you the exact figures for that, Mr. Mahon.

Mr. MAHON. But you can give us some approximate figures.

Mr. DODD. If we have a good corn crop and a poor crop in some other grains the figures would be changed.

Mr. MAHON. I understand that, but you can give us a fairly close estimate of the relationship between them.

Mr. DODD. Yes. In 1946–47, for instance, we exported 237 million bushels of wheat, 80 million bushels of corn, 17 of oats and 4 of barley to these countries in the European recovery program.

ESTIMATED U. S. PRODUCTION, TOTAL EXPORTS, TOTAL EXPORTS TO ERP AND OTHER COUNTRIES, 1948–49

Mr. WIGGLESWORTH. Table A, which has been handed to the committee, gives the estimated United States production, total exports, total exports to ERP and other countries.

(The table referred to follows:)

TABLE A.—*Estimated United States production, total exports, and exports to ERP and other countries, 1948–49*

[In thousand metric tons]

Commodity	Estimated production	Estimated total exports		Exports to ERP (excluding DOT)			Exports under U. S. Army GARIOA program								China		Trieste		All other	
							Germany [1]		Japan		Ryukyus		Korea							
		Quantity	Percent of production	Quantity	Percent of production	Percent of total exports	Quantity	Percent of total exports	Quantity	Percent of total exports	Quantity	Percent of total exports	Qunatity	Percent of total exports	Quantity	Percent of total exports	Quantity	Percent of total exports	Quantity	Percent of total exports
Total grains	137,600	12,352	9.0	7,485	5.4	60.6	(3,320)	(26.8)	1,518	12.3	26.8	0.2	184	1.5	76.2	0.6	51.0	0.4	3,011.0	24.4
Rice	998	356	33.7	19	1.9	5.3	0	0	0	0	30.0	8.4	0	0	81.3	22.9	0	0	225.7	63.4
Oilcake and meal	5,988	185	3.1	[2] 198	2.5	81.1	0	0	0	0	0	0	0	0	0	0	0	0	35.0	18.9
Pulses	1,016	254	25.0	198	19.5	78.0	(75)	(29.5)	0	0	0	0	0	0	0	0	4.5	1.8	51.5	20.2
Fats and oils	4,423	293	6.6	116	2.6	39.6	(30)	(10.2)	0	0	2.0	.7	0	0	0	0	3.8	1.3	171.2	58.4
Sugar	3,872	227	5.7	185	4.8	81.5	0	0	0	0	0	0	0	0	0	0	0	0	42.0	18.5
Meat (including horsemeat)	10,274	79	0.8	45	0.4	57.0	0	0	0	0	0	0	0	0	0	0	0	0	34.0	43.0
Cheese	544	95	17.5	90	16.5	94.7	0	0	0	0	0	0	0	0	0	0	0	0	5.0	5.3
Processed milk	1,937	500	25.8	285	14.7	57.0	(45)	(9.0)	21	4.2	1.4	.3	0	0	0	0	4.2	.8	188.4	37.7
Total dairy products	2,481	595	24.0	375	15.1	63.0	(45)	(9.0)	21	3.6	1.4	.2	0	0	0	0	4.2	.7	193.4	32.5
Eggs (shell equivalent)	3,300	70	2.1	31	.9	44.3	0	0	0	0	0	0	0	0	0	0	0	0	39.0	55.7
Fresh fruit	16,284	635	3.9	337	2.1	53.1	0	0	0	0	0	0	0	0	0	0	0	0	298.0	46.9
Dried fruit	500	140	28.0	121	24.2	86.4	(20)	(14.3)	0	0	0	0	0	0	0	0	0	0	19.0	13.6
Total all foods	186,736	15,186	8.1	9,110	4.9	59.7	(3,390)	(22.3)	1,539	10.1	60.2	.4	184	1.2	157.5	1.1	63.5	.4	4,119.8	27.1
Tobacco	[3] 800	236	33.8	198	28.4	84.0	0	0	0	0	0	0	0	0	10.4	4.4	0	0	27.6	11.6
Cotton	2,609	761	29.2	521	20.0	68.5	0	0	0	0	0	0	0	0	60.3	7.9	0	0	179.7	23.6
Total foods, tobacco, and cotton	190,145	16,183	8.5	9,829	5.3	60.4	(3,390)	(20.9)	1,539	9.5	60.2	.4	184	1.1	228.2	1.4	63.5	.4	4,327.1	26.8

[1] Germany GARIOA program included in exports to ERP.
[2] This figure includes oilseeds shipped as seeds, amounting to about 48,000 metric tons. The 150,000 tons shipped as oilcake and meal are used in determining percentages.
[3] This figure represents farm weight and is equivalent to about 699,000 metric tons, export weight.

75408—48—pt. 1——22

Mr. WIGGLESWORTH. As a preliminary to the grain discussion, on the right of the table just referred to, the first item on D–4, in the over-all break-down, entitled "Bread Grain and Coarse Grains," the amount is shown as 957,200,000 ECA obligations for 12 months.

ESTIMATED TOTAL GRAIN PRODUCTION IN UNITED STATES

Does that 957,200,000 correspond with the 137,600,000 total grains appearing in column 1 of table A?

Mr. NORTHRUP. No.

Mr. WIGGLESWORTH. What does it represent?

Mr. NORTHRUP. The first column on table A is the estimated production in this country of all grains. You will note it states it is the estimated United States production.

Mr. WIGGLESWORTH. And you set up 137,600,000 total estimated production of all grains.

Mr. NORTHRUP. Yes.

ESTIMATED EXPORTS TO OCCUPIED AREAS

Mr. WIGGLESWORTH. That does not include the 320,000 metric tons for export to Germany, does it?

Mr. NORTHRUP. Yes; that is included.

Mr. WIGGLESWORTH. It has brackets around it, but it is a part of the total.

Mr. NORTHRUP. Yes; that should have an explanation.

We inserted under the heading "exports under United States Army GARIOA program" for Germany, Japan, Ryukyus, and Korea the figures for those areas; and the figures you just read indicates the amount of the present estimate by the Army as going to Germany. However, the figures for Germany are included in the column before that, under ERP.

Mr. DODD. That is just a break-down of the figures.

Mr. NORTHRUP. That is correct.

ESTIMATED EXPORTS TO "ALL OTHER" AREAS

Mr. WIGGLESWORTH. What is the large total, 3,011,000 tons under the column "all other"?

Mr. NORTHRUP. That is the estimated quantity of all grains that would be exported to all other areas in the world by the United States, other than the places shown in the table.

Mr. WIGGLESWORTH. In private commerce or through the Export-Import Bank?

Mr. NORTHROP. By different means.

Mr. DODD. By any means—grain that would be exported from this country.

Mr. WIGGLESWORTH. Then you said there should be something added to that for imports, to show the total availability.

Mr. NORTHROP. That is what you asked for before lunch and I told you we would furnish it.

Mr. WIGGLESWORTH. You cannot give us at the present time what the total availability is?

Mr. NORTHROP. No; we would have to add to that figure of 137,600,000 the carry-over and imports.

Mr. WIGGLESWORTH. I think we had better let this go over, then, until we get the figures.

Mr. DODD. We will have the figures the first of the week on the total availability.

The CHAIRMAN. Do you think you can have those by Monday morning?

Mr. DODD. We will try. We can have part of them, and I know we can have all of them by Tuesday, particularly on the total availabilities.

Mr. CASE. I would like to ask a question at this point.

LIMITATION ON AMOUNT OF WHEAT EXPORTS UNDER INTERIM AID

In the interim-aid bill, we had a limitation on the amount of wheat that might be shipped.

Mr. DODD. That is right.

Mr. CASE. What was that—150,000,000-bushel reserve?

Mr. DODD. That is the carry-over.

Mr. CASE. How is that working out?

Mr. DODD. It looks as though we are going to have more wheat than that left, because you do not dare ship down to those last 150,000,000 bushels.

Mr. CASE. Of course, at that time you had certain estimates of what the available supply was going to be.

Mr. DODD. That is correct.

Mr. CASE. And sometime after that it seems to me I saw some figures in which somebody was quoted as saying it looked as though the exports could be increased by 150 million bushels.

Mr. DODD. Yes; export figures have been increased, but the carry-over of 150 million is still maintained. But at the time of interim aid legislation, you want to remember, we had a lot of dry country, particularly in the Southwest, where the wheat was seeded late and the crop was not made yet, and there was no way we would know for awhile.

Mr. CASE. That was one of the reasons why the limitation was put on—because the prospects for the winter wheat crop were not very good then?

Mr. DODD. That is right—because people were afraid we might not have enough.

PROSPECTS FOR CURRENT WHEAT CROP

Mr. CASE. Has that situation changed in the Southwest materially?

Mr. DODD. It has changed a good deal.

Mr. CASE. Specifically, how much?

Mr. DODD. We won't know until May 10.

Mr. CASE. But you have the percentage of normal of the wheat crop prospect, have you not?

Mr. DODD. No; we do not do that way. Over the north central part of the country, through what we call the soft red wheat belt, the conditions are very, very good. In Montana and the Pacific Northwest the conditions are probably the best they have been in 20 years. In the Southwest, where they had a late start, we got ample rains during the winter, but because the wheat plant was small, it did not get much growth.

The CHAIRMAN. And they did not have the acreage down there.

Mr. DODD. We did not have the acreage down there we would have had if they had had normal moisture.

The CHAIRMAN. You did not have the acreage you had last year?

Mr. DODD. That is correct—in that country, but in total we got probably the largest acreage or one of the largest acreages of winter wheat that we ever had. Since that time, conditions have continued good, except there have been dry times. You know what happens when they do not have rain on the wheat acreage; the ground crusts and it kills the blades a little bit and the wheat is pretty scattered. But yesterday and the day before yesterday they got a good rain over that entire area, and the prospects today are better than they were yesterday and were better yesterday than they were the day before.

Mr. MAHON. Does that include the Panhandle area?

Mr. DODD. Yes; that includes the Panhandle area. They got all the way from good showers up to 2 inches of rain.

Mr. CASE. Could you translate that into bushels?

Mr. DODD. It would be awfully hard to translate it into bushels.

Mr. CASE. I mean not as to bushels, except as to what would be a reasonable carry-over if at the time that action was taken 150 million bushels looked as if that was what we should have for a safe reserve, as to how the situation has changed.

Mr. DODD. When we got the January 1 stock reports, we found there was more wheat on the farms than we had anticipated. The complete stock reports will be out this afternoon at 3 o'clock, and then we will have the total picture.

The CHAIRMAN. Well, it is 3 o'clock now, and if you know what it is, you can tell us.

Mr. DODD. I will have to call up and find out what it is.

The CHAIRMAN. Now, the figure of next year's crop estimates of the Department were 860 million bushels about 10 days ago.

Mr. DODD. That is right—of winter wheat.

The CHAIRMAN. Yes. They cannot estimate the spring wheat?

Mr. DODD. Not until May. May 10 will be our first estimate on spring wheat.

The CHAIRMAN. Well, that would be a wild guess, because that would be just after the first planting.

Mr. DODD. But if the ground is in good shape—let us say you have good moisture and the crop went in in good shape, and they had good showers and the wheat made a good start and assuming we have a normal wheat year, you know roughly where you are coming out, of course.

Mr. CASE. How does that 860 million bushel prospect of winter wheat compare to a year ago?

Mr. DODD. It is smaller than a year ago, because last year was an all-time record.

Mr. CASE. How much smaller?

The CHAIRMAN. Three hundred million.

Mr. DODD. No; that is 300 million smaller total wheat production.

The CHAIRMAN. Three hundred million less than last year?

Mr. DODD. Last year for winter wheat we had 1,067,970,000 bushels. On April 1, we anticipated a crop of approximately 860,000,000; on

May 10, when we get our report, that will take into account the recent showers and the past month's weather. Whether this figure goes up or down would be anybody's guess. My guess, as an individual, would be that the estimate will be higher.

ADVISABILITY OF RETAINING LIMITATION RELATING TO RESERVE OF WHEAT

Mr. CASE. What I was getting at was whether or not we would be warranted, when we come to report this bill, if the committee so felt, in making some change in that reserve and still preserve the position which it appeared would be preserved at the time we took that action.

Mr. DODD. I think you would have every reason to take off the 150,000,000 carry-over restriction. I do not think there is any question about that. We already have prospects of a crop which is much larger.

The CHAIRMAN. How much would wheat jump if we did it?

Mr. DODD. I do not think it would make much difference.

The CHAIRMAN. Would it jump 25 cents?

Mr. DODD. I do not think it would. Wheat dropped a nickel yesterday, and I think every time there is rain in the Southwest in the next month you are going to see wheat drop again, and you may have more wheat down there than can easily be moved.

The CHAIRMAN. If you have that, there is no sense in touching the limitation.

Mr. DODD. Of course, as to the 150,000,000, there is no question but what it puts a brake on the market.

Mr. CASE. Of course, that is less than the carry-over we used to have normally.

Mr. DODD. No.

Mr. CASE. What used to be the normal carry-over?

Mr. DODD. I do not know that there is any such animal, because we have gone down about as low as 40,000,000 at one time, years ago, and down as low as 55 to 85 million in a half dozen other years.

Mr. CASE. But when we went down to 82,000,00 a year or so ago, people were alarmed.

Mr. DODD. No; I would not say anybody was alarmed.

Mr. CASE. I thought members of the House Committee on Agriculture were alarmed.

Mr. DODD. The grain trade was not alarmed, because they refused to buy wheat, and when the early harvest came in wheat prices were all below today's price.

Mr. CASE. Did not we run a carry-over of 200,000,000 bushels for many years?

Mr. DODD. I suppose the average has been pretty nearly 200,000,000 bushels.

Mr. CASE. So that the 150,000,000 was less than the average carry-over?

Mr. DODD. Most times we did not want to keep 200 million, but we were forced to.

Mr. CASE. I recognize that; but when you cannot predict seasons and yields with any security very far ahead, a certain amount of carry-over tends to keep your economy going with some semblance of stability.

Mr. DODD. I would say, with our present acreage of wheat in the country, I do not believe you could have a bad enough condition to where you would not have more wheat than you could use in this country.

Mr. CASE. That is for 1 year ahead?

Mr. DODD. That is for 1 year ahead; that is right. If you go back to the 1920's, I guess it would average about 100,000,000 all through that period.

Mr. CASE. All through the 1920's?

Mr. DODD. Starting with the marketing year 1919–20, it was 85,000,000; the next year it was 170,000,000; the next year it was 124,000,000; the next year it was 96,000,000. Then it ran 132, 137, 108, 97, 109, and 113. It just ran along about 100,000,000.

Mr. CASE. What was it in the 1930s?

Mr. DODD. In the 1930s, starting with 1930–31, it was 291; the next year it was 313, the next year 375, the next year 378. That is when we were having big yields and they could not sell.

Mr. MAHON. And they were burning wheat out there as fuel.

Mr. DODD. Yes; and burning corn because it was cheaper than coal. That was the year when we could not get the wheat prices up anywhere near the cost of production. Then it pulled down in the year 1937–38 to 83,000,000 and then was built up during the war, and we built up the supplies because all of the markets were closed and because there was a deliberate attempt to maintain the maximum production so as to use it for feeding livestock. We fed more than half a billion bushels of wheat to cattle, hogs, and chickens. We went up to a peak of 631,000,000, and then came on down to 317,000,000, 279, 100, and 84. We were down to a carry-over last year which is just a little less than we had the year before.

That is why I said there was no such thing as a normal carry-over. When you got into the late 1920's and we were beginning to get above 100,000,000 and moving up, prices went on down.

Mr. MAHON. In other words, as to whether it is normal, if you have a depression on, maybe 300,000,000 bushels would be normal.

Mr. CASE. If you got that, you probably would have a depression.

Mr. DODD. You surely would. That is a good statement. Because in normal times we cannot afford to have a carry-over of 300,000,000 unless you have provision for putting it away so that it would not affect the market. I think we should always keep a reserve in this country of about a third of a year's production in both corn and wheat.

Mr. CASE. A third of a year's production?

Mr. DODD. I think that is the minimum we ought to carry over, and I think it can be done. I think you can carry corn in the cribs on the farms and can carry wheat back on the farms in country elevators.

Mr. CASE. You mean to insure that we have a supply of seed?

Mr. DODD. To assure that we have a stable market; because then, if you get a little drought, floods, or other things, we do not have a terrible disruption in prices.

Mr. CASE. Of course, 150,000,000 bushels is considerably less than a third.

Mr. DODD. That is right; but given normal times, if we ever get that way again, I would like to see a carry-over of about a third of the 800,000,000 bushels of wheat we need in this country for seed, feed, and food.

Mr. STEFAN. Are you recommending the release of this 150,000,000 bushel carry-over in view of the reports on the coming crop?

Mr. DODD. Yes; I think that would be a fair thing to do.

The CHAIRMAN. If we knocked off 50,000,000 of it, that would be about the right figure.

Mr. DODD. That is right.

The CHAIRMAN. Because if we knocked it all off, wheat would shoot. Those manipulating the market would shoot it up.

Mr. DODD. If you take 50,000,000 off, I think that is as much as it is safe to drop.

Mr. CASE. That is about what was in my mind on that. But I think when you get down to 82,000,000, you are gambling a little on the future.

Mr. DODD. I do not believe we could get down that low. I do not think it is physically possible to move that far down now. It is too late in the year.

Mr. CASE. The seed picture is pretty well taken care of, of course.

Mr. DODD. That is all over.

Mr. CASE. The winter what is already by.

Mr. DODD. Yes; and for the spring wheat, of course, the preparation for seed is all over.

Mr. CASE. Pretty nearly everybody knows where he is going to get it.

Mr. DODD. That is right. We have to keep in mind that the local small mills cannot keep enough wheat for flour, and the big terminal mills have to have a supply of wheat. But I agree with the chairman. If we can cut it down 50,000,000, that would be about the right figure.

Mr. STEFAN. You mean to cut it down to 50,000,000?

Mr. DODD. No; to cut it down 50,000,000.

Mr. STEFAN. And leave 100,000 million carry-over?

Mr. DODD.And leave 100,000,000 carry-over; that is right.

Mr. CASE. You have to hit the thing both ways.

Mr. DODD. I think, too, there is no question but what these people need about every boatload of wheat we can get to them.

Mr. STEFAN. Fifty million would not affect the market much; would it?

Mr. DODD. I do not think so. I think whether you get rains or not in the Southwest is going to have the biggest influence on prices.

The CHAIRMAN. And the prices are being figured more or less on the crop estimate you have put out.

Mr. DODD. Plus the carry-over.

The CHAIRMAN. Plus the carry-over that is required

Mr. DODD. That is right.

The CHAIRMAN. Now, you can juggle your carry-over a little without raising too much hob with your market, but if you do too much, you are going to be in trouble.

Mr. DODD. I agree with that statement. The only thing is I think it is physically impossible—and I think the trade would soon find out it is physically impossible—to move wheat down so that you could get below 100,000,000 carry-over.

Mr. WIGGLESWORTH. I suggest we take the suggestion of the gentleman from Texas (Mr. Mahon) and start with bread grains and coarse grains as the first item and see if we cannot make a little progress.

I notice under Austria you contemplate 568,100 metric tons import through ECA, to give them an available supply of 2,106,000 compared with 2,670,000 prewar and compared with 1,666,000 in 1947–48.

What is the population of Austria, and what does that give you in calories?

Mr. NORTHRUP. I can talk to you in terms of supply per capita.

Mr. WIGGLESWORTH. All right.

AVAILABLE SUPPLY IN POUNDS PER CAPITA OF SELECTED FOODS AND OTHER ITEMS BY PARTICIPATING COUNTRIES

Mr. NORTHRUP. No; I am mistaken. The table we have is for Europe as a whole. If you want that on a per capita basis for each country rather than for Europe as a whole, I will have to furnish it for the record.

Mr. WIGGLESWORTH. I wish you would furnish it for each country.

Mr. NORTHRUP. On a per capita basis?

Mr. WIGGLESWORTH. Yes.

Mr. NORTHRUP. I will be glad to do that.

(The information is as follows:)

Available supply in pounds per capita of selected foods and other items, by participating countries

Participating country	Total grains	Rice	Pulses	Fats and oils	Sugar
Austria:					
1948–49 [1]	634.0	1.6	23.3	33.3	50.6
1934–38 [2]	878.6	10.2	4.9	37.8	58.9
Belgium and Luxemburg:					
1948–49 [1]	763.1	1.7	11.2	49.1	62.1
1934–38 [2]	1,040.5	13.8	19.2	56.4	68.7
Denmark:					
1948–49 [1]	2,151.4	1.5	5.2	52.1	92.9
1934–38 [2]	2,611.5	6.6	6.1	84.0	119.8
France:					
1948–49 [1]	791.0	1.9	10.7	37.6	45.1
1934–38 [2]	847.1	23.6	12.5	47.2	58.2
Greece:					
1948–49 [1]	605.7	4.9	21.1	28.8	22.8
1934–38 [2]	633.6	9.9	19.2	35.5	25.9
Iceland:					
1948–49 [1]	254.4	(3)	(3)	101.8	101.8
1934–38 [2]	(3)	17.0	3.4	67.8	101.7
Ireland:					
1948–49 [1]	1,437.4	.7	5.1	49.6	83.9
1934–38 [2]	1,205.9	2.9	1.1	44.8	89.7
Italy:					
1948–49 [1]	590.4	16.3	30.2	20.8	17.4
1934–38 [2]	631.0	18.2	28.7	31.3	18.8
Netherlands:					
1948–49 [1]	669.7	1.8	22.6	54.7	76.3
1934–38 [2]	838.5	22.3	26.2	70.5	83.0
Norway:					
1948–49 [1]	612.4	5.6	5.6	65.1	66.5
1934–38 [2]	681.9	3.8	6.5	68.4	75.3
Portugal:					
1948–49 [1]	404.9	15.0	38.9	29.5	26.9
1934–38 [2]	320.7	14.1	39.5	33.8	20.0
Sweden:					
1948–49 [1]	956.6	2.5	13.0	39.4	108.5
1934–38 [1]	1,144.3	4.5	14.7	63.3	108.1
Switzerland:					
1948–49 [1]	631.1	5.8	6.3	40.4	90.5
1934–38 [2]	597.4	9.4	1.6	48.3	93.4
Turkey:					
1948–49 [1]	770.5	3.2	16.8	13.8	14.1
1934–38 [2]	960.0	8.1	16.8	18.1	12.0
United Kingdom:					
1948–49 [1]	631.5	.9	10.5	53.0	103.9
1934–38 [2]	661.3	5.4	8.4	66.9	110.4
Western Germany:					
1948–49 [1]	556.2	.6	11.1	22.4	46.8
1934–38 [2]	729.7	4.9	5.6	56.2	65.5

[1] 1948–49 fiscal year.
[2] 1934–38 average.
[3] Not available.

PER-CAPITA CONSUMPTION OF GRAINS AVAILABLE FROM IMPORTS AND PRODUCTIONS FOR ALL COUNTRIES

Mr. MAHON. Generally speaking, for all of the countries, about what would it be?

Mr. NORTHRUP. For all countries, for all grains, for 1948–49, the per-capita consumption available on the basis of this import plus their own production would give them a per-capita supply of 638 pounds, which is about 87.9 percent of the prewar and 119 percent of the current year.

PROPORTION OF GRAINS IN GERMAN DIET TO OTHER WESTERN EUROPEAN COUNTRIES UNDER PROGRAM

Mr. CASE. Does that mean you are going to give them the same per capita in Germany as in these other countries?

Mr. NORTHRUP. Not necessarily.

Mr. CASE. Let us get that exact. What I want to know is whether or not that means you are going to give them 100 percent in these other countries and somewhat considerably less than 87.9 percent to Germany.

Mr. NORTHRUP. I will have to work the table up for you and break the figure I just quoted down to each country on a per-capita basis.

Mr. WIGGLESWORTH. Are all of the increases compared with 1947 to come from ECA shipments?

Mr. NORTHRUP. No: that is the total available.

Mr. WIGGLESWORTH. But you are putting 568.1 and there is an over-all increase of about 400 or a little less than 400.

Mr. NORTHRUP. In that column, the 568.1 is not an amount for which we are responsible: it is my understanding that column is the residual amount that may be financed out of this appropriation. We can talk to you in terms of total imports for these countries in the various places.

Mr. CASE. I saw Dr. Fitzgerald shaking his head when you were talking about the per capita on grain, and I was wondering whether he was disagreeing with what we were getting or if something additional should be said on that.

Dr. FITZGERALD. I have no disagreement at all, but I think you asked the question specifically about Germany.

Mr. CASE. Yes. When you take the average of all populations together and say it is going to give a certain average for all of them, that is all right, if they are all getting the same distribution; but if you give one a horse and one a rabbit, it is not.

Dr. FITZGERALD. In the case of Germany, the proportion of wheat and other grains in the German diet will be, on the average, larger than in most of the other western European countries. Since the American taxpayer is footing the bill, we are trying to put in there the cheapest cost diet, which is largely grain. They are well below the average in fats and oils and meats and other food items and well above the average of western Europe in grain. If I had to make a guess, I would say, in terms of prewar per capita consumption of Germany, this 87.9 would be, perhaps, 110. I would like to verify that figure, but it is somewhere in that neighborhood.

Mr. STEFAN. Taking Mr. Vory's figure of 1,800 calories, does that have anything to do with the additional amount going into Germany?

Mr. NORTHRUP. Yes; he is taking that into account, I am sure.

Mr. WIGGLESWORTH. What is the population of Austria?

Dr. FITZGERALD. About 7.4 million.

Mr. WIGGLESWORTH. Are there any questions on the Austrian grain item?

CONTEMPLATED CALORIE DIET FOR AUSTRIA

Mr. CASE. What does that contemplate, so far as the calorie diet in Austria is concerned?

Mr. NORTHRUP. I will furnish that for the record. Will it be satisfactory, in furnishing that, to give it either on a per capita or a calorie basis?

Mr. CASE. I think what you are getting at is that the diet is figured in terms of calories; is it not?

Mr. NORTHRUP. We will try to give it to you in calories, if we can. Do you want it in calories for each kind of food, or the total?

Mr. DODD. It has to be in total calories.

Mr. CASE. Just what diet level you are figuring for the country, whether 1,550, 1,800, 2,200, or what.

Mr. WIGGLESWORTH. If they give us the per capita break-down for each of the food items and the over-all calories for each country, would not that cover it?

Mr. NORTHRUP. That is what you want?

Mr. CASE. And, if you propose to make a distinction between the calorie diet for the civilian population and the displaced persons' population.

Mr. NORTHRUP. In Germany?

Mr. CASE. Well, we are talking about Austria.

Mr. NORTHRUP. I do not believe there is any break-down analysis of these figures in those terms.

Mr. CASE. When I was in Austria once upon a time, there was a good deal of complaint among the Austrian people because the target diet was maintained for the people in the DP camps and the directive forbade them to work, whereas the Austrians got a lesser diet unless they were engaged in certain activities, and I was just wondering whether we were maintaing that.

Mr. NORTHRUP. I see the point of our question, and it is a very good question. I think the competent witness on that would be somebody who is suggesting that kind of program.

Mr. STEFAN. The IRO would have to give you that, because the DP's are the entire responsibility of the IRO, or the International Relief Organization. I do not think you could give that.

Mr. NORTHRUP. That is right.

Mr. STEFAN. I know what he is talking about. He is talking about the expelees and the regular population.

Mr. NORTHRUP. I do not think we have any way of getting at that ourselves.

Mr. CASE. Do these figures contemplate supplying food for the IRO?

Mr. NORTHRUP. No.

Mr. CASE. Where does the IRO get the food, then, when dealing with Austria?

Mr. NORTHRUP. To the best of my knowledge, I think the proper way to answer your question is that these estimates of exports or estimates of availabilities for all of these European countries are intended to include the availabilities for all of the population in those countries, no matter who pays for it.

Mr. CASE. I would think so. I do not know how otherwise you could figure it, because part of it is supplied indigenously.

Mr. NORTHRUP. That is right; and you could not break it apart in the way you are suggesting, I am afraid.

GRAIN REQUIREMENTS FOR BELGIUM AND LUXEMBURG

Mr. WIGGLESWORTH. For Belgium and Luxemburg, you propose 600,000 metric tons import under ECA to give them an availability in 1948–49 of 3,060,000 tons compared to 4,059,000 prewar and 2,683,000 this year.

What is the population of Belgium?

Mr. NORTHRUP. They reported last year at the Paris Conference that the population of Belgium was 8.4 million in 1947 and to that must be added, for Luxemburg, another 300,000. That would be 8.7 million in 1947 for those two countries. That is from data supplied by the Europeans at the Paris Conference on populations.

Mr. STEFAN. Is there any corn in here at all?

Mr. DODD. There could be some corn in that total, but I would not have the least idea how much it would be. It would depend on the size of the crop and the availability of other grains. That is true, also, of grain sorghums and barley.

GRAIN REQUIREMENT FOR DENMARK

Mr. WIGGLESWORTH. For Denmark, the imports under ECA are 177,800 metric tons, and you give an available supply of 4,167,000 for 1948–49, or about 200,000 less than prewar and about 800,000 more than in the present year.

What is the population of Denmark?

Mr. NORTHRUP. Denmark's population in 1947 is given as 4.2 million, which, incidentally, is about a half million more than prewar.

Mr. WIGGLESWORTH. Why do you need 4,167,000 metric tons for a population of 4,000,000 in Denmark when you have only 3,000,000 metric tons for a population double that in Belgium and Luxemburg?

Mr. NORTHRUP. On most of those questions, I am sure Dr. Fitzgerald could talk to this point better than I can, but you have to take into account a lot of things over there—other kinds of food, the livestock, and the population; undoubtedly these figures reflect those differences.

Dr. FITZGERALD. If I may comment on that——

Mr. WIGGLESWORTH. I wish you would.

Dr. FITZGERALD. Mr. Northrup has mentioned the principal difference that is, the level of livestock compared to the populations in the two countries. Denmark has approximately twice as many hogs as Belgium, and the major portion of this 4,167,000 ton supply of total grains is for livestock feeding.

Mr. WIGGLESWORTH. It seems very much out of line mathematically, both as to Austria and Belgium.

Mr. NITZE. The basis of the Danish economy is the livestock population, and unless they get these feed stocks, Denmark's entire economy will be upset.

GRAIN REQUIREMENTS FOR FRANCE

Mr. WIGGLESWORTH. For France you have 14,079,000 tons of exports, with a total availability of 15,097,000 in 1948–49 compared with a prewar figure of 16,100,000 and a figure of 11,334,000 today.

The population of France is about what?

Mr. NORTHRUP. France, in 1947, reported to us 41.4 million.

Mr. NITZE. May I comment there that the column headed "ECA shipments financed" includes shipments to both the mother country and to the dependent overseas territories in every instance, while in the next column it refers only to the other country. That does not make an important difference in most instances, but in one or two instances it does. In this particular case there are fairly large shipments to dependent overseas territories.

Mr. WIGGLESWORTH. You mean, of the 14,079,000, a large part goes to the dependent overseas colonies?

Mr. NITZE. That is correct.

Mr. WIGGLESWORTH. France is stepping up her own production about 500,000 metric tons over last year?

Mr. NORTHRUP. That is correct—about 5,000,000.

Mr. WIGGLESWORTH. Yes; 5,000,000.

Mr. NITZE. As a matter of fact, the amount going to the dependent overseas territories of France is 650,000 tons.

Mr. WIGGLESWORTH. Those figures on the dependencies are not included in the import column, either for prewar or for 1947–48?

Mr. NITZE. They are not.

Mr. NORTHRUP. We can give that to you where there are discrepancies, I know.

Mr. NITZE. It was impossible to get together the last four columns with respect to the dependent overseas territories.

GRAIN REQUIREMENTS FOR GREECE

Mr. WIGGLESWORTH. For Greece you contemplate imports of 244,500 metric tons against a total availability of 2,121,000 compared with a prewar of 1,983,000 and this year 1,740,000.

Mr. NORTHRUP. That is right.

Mr. WIGGLESWORTH. What is the population of Greece?

Mr. NORTHRUP. Greece, in 1947, was 7.6 million.

Mr. WIGGLESWORTH. The domestic production in Greece is 400,000 tons?

Mr. NORTHRUP. But still slightly below prewar.

GRAIN REQUIREMENTS FOR ICELAND

Mr. WIGGLESWORTH. For Iceland you contemplate imports of 12,000 tons against a total available supply of 1948–49 of 15,000, no prewar supply indicated, and some 15,000 tons available in the current fiscal year.

Mr. NORTHRUP. This projects imports in there just like in the past year.

Mr. STEFAN. Do you have the population there?

Mr. NORTHRUP. Iceland has an estimated population of 100,000.

Mr. NITZE. These figures are only to the nearest 100,000, but, as I remember it, the population is in excess of 100,000 but less than 150,000.

Mr. Chairman, Mr. Fitzgerald has the estimated over-all caloric intake of each country, which I think includes all varieties of foods and would give you the relative feeding level of each one of the countries, and I think that would give you the information which you are looking for.

Mr. WIGGLESWORTH. That includes all of the various items?

Mr. NITZE. It includes all of the various items and makes allowance for livestock feeding and various other factors in each country. I think it will give you the end result.

ESTIMATED CALORIC INTAKE BY COUNTRIES, 1948–49

Dr. FITZGERALD. I have a table here of the estimated caloric intake for 1948–49 based upon the physical data in the tables that are before you, which I can read to you and then comment on briefly, if that will be helpful to the committee.

Mr. WIGGLESWORTH. Suppose, Doctor, you give us those figures by countries, starting with Austria.

Dr. FITZGERALD. Prewar, 2,850; estimated for 1948–49, 2,700.

Mr. WIGGLESWORTH. Belgium-Luxemburg?

Dr. FITZGERALD. Prewar, 2,800; the same for 1948–49.

Mr. WIGGLESWORTH. Denmark?

Dr. FITZGERALD. Prewar, 3,200; 1948–49, 3,100.

Mr. WIGGLESWORTH. France?

Dr. FITZGERALD. Prewar, 2,800; 1948–49, 2,750.

Mr. WIGGLESWORTH. Greece?

Dr. FITZGERALD. Two thousand four hundred and fifty for both periods.

Mr. WIGGLESWORTH. Iceland?

Dr. FITZGERALD. Three thousand for both periods.

Mr. WIGGLESWORTH. Ireland?

Dr. FITZGERALD. Prewar, 3,150 and 3,200 for 1948–49.

Mr. WIGGLESWORTH. Italy?

Dr. FITZGERALD. Two thousand five hundred and fifty and two thousand three hundred.

Mr. WIGGLESWORTH. The Netherlands?

Dr. FITZGERALD. Two thousand eight hundred and fifty for both periods?

Mr. WIGGLESWORTH. Norway?

Dr. FITZGERALD. Two thousand nine hundred; and two thousand eight hundred and fifty.

Mr. WIGGLESWORTH. Portugal?

Dr. FITZGERALD. Two thousand three hundred both periods.

Mr. WIGGLESWORTH. Sweden?

Dr. FITZGERALD. Three thousand both periods.

Mr. WIGGLESWORTH. Switzerland?

Dr. FITZGERALD. Three thousand one hundred and fifty prewar and two thousand nine hundred and fifty, 1948–49.

Mr. WIGGLESWORTH. Turkey?

Dr. FITZGERALD. Two thousand five hundred for both periods.

Mr. WIGGLESWORTH. United Kingdom?

Dr. FITZGERALD. Three thousand one hundred prewar; three thousand and fifty, 1948–49.

Mr. WIGGLESWORTH. Western Germany?

Dr. FITZGERALD. How is that in your table, sir? Is that by zones?

Mr. WIGGLESWORTH. Yes, bizone, French and Saar.

Mr. NORTHRUP. Altogether.

Dr. FITZGERALD. Prewar, 2,850, but that includes the Soviet zone. There was no way to separate it. That is all prewar Germany. For 1948–49, 2,550.

Mr. WIGGLESWORTH. Is there some comment you said you wanted to make on these figures?

Dr. FITZGERALD. There is, if I may, sir. These caloric intake figures compare, in my opinion, rather favorably with prewar. But there are two important observations to be made with respect to them, sir. In the first instance, this is an average for all persons. In general we are satisfied that the producers, the farmers in these countries are eating as well as they were prewar, perhaps a little better.

Mr. WIGGLESWORTH. Right now?

Dr. FITZGERALD. Right now; which means that the folks in the urban areas are taking the entire brunt of the lower supplies. So that in the case of Austria, for example, where the average consumption is only 150 calories below prewar, the population of Vienna or Linz or the other urban areas have a caloric intake that is probably under the figure for this program, by perhaps 300 or 400 calories below prewar. They have to absorb most of the smaller total average per capita consumption.

The second point that I would like to make is that the caloric figures here do not have nearly the same quality of food as prewar. It consists of a much larger proportion of cereals, a much smaller proportion of meat and fats and oils and dairy products and other protective and quality foods, which is an important consideration, I think, in valuing the significance of the figures.

Mr. KERR. If you are speaking of calories, it does not make any difference whether it is in wheat or in meat.

Dr. FITZGERALD. A calorie, Judge, regardless of where it comes from, including pot liquor. But there are psychological and physiological minimums in both proteins and fats. In Germany today, Judge, the limiting factor in the diet of the German people, low as it is, is not the total diet, but the fact that there is practically no meat and no fat in it. Another way of saying it, sir, is that you just cannot eat bread and nothing else. You have to have a little meat or a little fat or a little pot liquor, if you will, to go with it.

Mr. WIGGLESWORTH. Is the reason the farmers are getting more than their share, a lack of domestic control over distribution?

Dr. FITZGERALD. Most European farmers, sir, are no different from American farmers. It is very difficult to take away from any farmer that which he produces. He milks his own cows, he grows his own livestock, he produces his own crops. You would have to have the

Army at every farm doorstep in order to force them to disgorge more than you can attract out of them under any other process.

Mr. CASE. Undoubtedly the problem of collections——

Dr. FITZGERALD. Is very serious.

Mr. CASE. Is very difficult, but still I was amazed to find out how thorough an attempt is made to make collections. Every apple tree was numbered. I talked with a boy herding some cows and he told me that about once every 2 weeks somebody came out and checked them when they were milking. It is impossible, of course, to get 100 percent collections of foodstuffs if the producer's own family is involved.

Dr. FITZGERALD. That is correct.

Mr. STEFAN. They carried that over from the Hitler program. When I was over there in 1939, in July, August, and part of September, I visited many farms and what Mr. Case indicates he found over there recently, was the situation when I was over there, at least partially, on the farms that I visited. The food was measured and the milk had to go into the cooperative. When Dr. Fitzgerald says that in spite of that the farmer who milks his cows and produces his produce is able to hold out a little, so that he has more than the man in the city, who has nothing to produce—that situation was true then, too.

Mr. CASE. Does this caloric intake estimate for 1948–49 take into consideration what these people will raise in their little garden plots, or is this over and above that?

Dr. FITZGERALD. This is an estimate—you understand it is just an estimate, since it is a projection into the future on all the food supplies that there will be in the country from all sources.

Mr. STEFAN. Even including the little garden plots, to which Mr. Case has referred?

Dr. FITZGERALD. We have tried to make an allowance for even the small gardens. But frankly, they are estimates.

Mr. WIGGLESWORTH. Generally speaking, what is the estimate of these imports based on, the farmer continuing to use more than his share? Or is it based on an anticipation that whatever supplies are available will be prorated?

Dr. FITZGERALD. That will depend upon the ability of the local administration to average out the total supplies. In saying that the farmer tended to eat better than the city dweller, I was not indicating that there should not be or that they will not make every attempt possible to collect and distribute; but that as a natural consequence of production you cannot expect the caloric intake of the producer of food to drop below the average level of the urban consumer.

Mr. WIGGLESWORTH. But we are being asked to provide taxpayers' money to put up a specific amount of grains. I know in Germany, for instance, they are making tremendous efforts to get the farmers to give up what was thought by those in control it was fair that they should give up, for the rest of the population.

How have these figures been determined? Is that in the picture at all, or is it just simply so many calories per head?

Dr. FITZGERALD. These figures that I gave you, sir, are merely a statistical average; it is all the calories in the domestically produced food program, plus the calories in the proposed import program divided by the total number of people in the country.

Mr. WIGGLESWORTH. Leaving the matter of distribution up to the local authorities?

Dr. FITZGERALD. Yes, sir.

Mr. WIGGLESWORTH. I notice that for Ireland, the amount exceeds prewar in calories in respect to grains; there is a total of 413,000 metric tons ECA-financed, for a total available supply of 1,969,000 as compared with 1,641,000 prewar.

Mr. NORTHRUP. They are given about the same estimated supply as they had this last year. There is a very small difference.

Mr. WIGGLESWORTH. What is the population of Ireland?

Mr. NORTHRUP. The figure I have is 3,000,000.

Mr. WIGGLESWORTH. For Italy, 1,539,000 imports for a total availability of 12,689,000, as compared with 12,193,000 prewar and 11,042,000 this year.

What is the population of Italy?

Mr. NORTHRUP. Forty-six million six hundred thousand, which is about four million more than prewar, incidentally.

Mr. WIGGLESWORTH. The Netherlands, approximately 1,000,000 imports for an available supply of 2,965,000, which is 600,000 more than the present year, but about 300,000 less than prewar.

Mr. NORTHRUP. The population is 9,600,000 or about 1,100,000 more than prewar.

Mr. WIGGLESWORTH. For Norway, there is a very small import under ECA. You are going to give them an availability of 875,000, compared with 897,000 prewar and 793,000 in the current year. The domestic supply is on the increase, but not up to prewar?

Mr. NORTHRUP. That is right.

Mr. WIGGLESWORTH. What is that population?

Mr. NORTHRUP. For Norway, 3,100,000. If you wish, I can give you the prewar population. The prewar population was 2,900,000.

Mr. WIGGLESWORTH. Portugal has nothing under ECA apparently?

Mr. NORTHRUP. It is not to be financed out of ECA in this estimate.

Mr. WIGGLESWORTH. Their available supply is 1,508,000 compared with 1,072,000 prewar, and the available supply for this year is 1,451,000.

Mr. NORTHRUP. Their population is 8,100,000 and prewar it was 7,400,000.

Mr. WIGGLESWORTH. Sweden, no importations under ECA. Their total supply will be 3,085,000, as compared with 3,270,000 prewar and 2,248,000 this year.

Mr. NORTHRUP. The population is 7,000,000; the population prewar was 6,300,000.

Mr. WIGGLESWORTH. Switzerland has no importations under ECA. They have about 200,000 above prewar, an available supply of 1,311,000 metric tons. What is their population?

Mr. NORTHRUP. Four million five hundred thousand; prewar it was 4,200,000.

Mr. WIGGLESWORTH. Turkey has an available supply of 6,892,000; prewar 7,141,000, and this year 6,239,000.

Mr. NORTHRUP. You will note that the 1948–49 estimate there, the first figure you called, indicates a small amount of exports out of Turkey.

Mr. WIGGLESWORTH. Where do those go? They do not import at all, apparently; that is all domestic production?

Mr. NORTHRUP. Yes.

Mr. WIGGLESWORTH. What is the population?

Mr. NORTHRUP. Nineteen million four hundred thousand; prewar sixteen million four hundred thousand.

Mr. WIGGLESWORTH. United Kingdom importations 1,933,000; available supply 14,293,000 as compared with 14,193,000 prewar, and $13,198,000 this year.

Mr. NORTHRUP. Yes, sir.

Mr. WIGGLESWORTH. Their domestic production is less in 1948 than 1947, but is on the increase, it is estimated now.

Mr. NORTHRUP. It is higher than any of the previous years you have in that table?

Mr. WIGGLESWORTH. Seven million nine hundred and ninety-three thousand as compared with four million five hundred and twenty-one thousand prewar. What is the population?

Mr. NORTHRUP. The population is 49,100,000; prewar 47,100,000.

SOURCE OF ECA GRAIN SHIPMENTS

Mr. MAHON. Mr. Chairman, I would like the witness to tell us where these ECA shipments of 1,933,000 tons are coming from.

Mr. NORTHRUP. If you will let me talk about the figure in the next column, I can explain it to you; the figure of 6,300,000. Of the 6,300,000, 3,995,000 is from Canada; 725,000 from other countries in the Western Hemisphere, such as Argentina; 1,580,000 from other nonparticipating countries. That means other sources like Australia. None from the United States in these estimates. That adds up to 6,300,000.

Mr. MAHON. But our American dollars would pay for this grain even though the grain did not come from the United States?

Mr. NORTHRUP. This column would indicate 1,933,000 tons; that is right.

Mr. NITZE. I might say with respect to that column that the shipments for the United Kingdom include the overseas dependent territories of the United Kingdom. Also this represents ECA shipments financed during that period. It does not include shipments which might be obligated for under ECA that would not take place until after that period. It is difficult to make these figures exactly comparable, but this represents shipments estimated to be financed under ECA.

Mr. MAHON. Of the estimated import of 6,300,000 metric tons, how much would be coarse grains?

Mr. DODD. Prewar about 40 percent of the grain imports were coarse grains.

Mr. MAHON. What would Great Britain do with coarse grains? Is some of that feed for livestock?

Mr. DODD. All of it is imported for feed for livestock.

Mr. WIGGLESWORTH. Generally speaking, when you speak of coarse grains in these tables, do you mean feed for livestock?

Mr. DODD. Not altogether; it is used for industrial purposes, too. Corn for starch, corn sugar, and corn sirup—things like that—and for processed food.

Mr. NORTHRUP. In recent years much of the coarse grain imports have gone for food because of the shortage of wheat world-wide. But normally most of the coarse grains imported are largely livestock feed and for industrial purposes, as Mr. Dodd has described.

USE OF GRAIN SORGHUMS

Mr. MAHON. I have observed that many of the countries of the world are now using what we call in the Southwest grain sorghums; that is, as food for human consumption. Is that a temporary trend, or not?

Mr. DODD. I would like Mr. Fitzgerald to comment on that.

Mr. MAHON. Will you comment on that, Dr. Fitzgerald? I am thinking of India, which is seeking in every possible way to get more of our grain sorghums. And I believe we are using some in Germany and Korea and Japan.

Dr. FITZGERALD. We are using a very small amount in Germany, but in India particularly they have traditionally used grain sorghums in some parts of the country. It is their normal diet. I think both Japan and Korea have traditionally used grain sorghums as a food.

Mr. DODD. Of course, now because they are short of rice the demand would be for even greater amounts than they purchased prewar, to replace the rice.

Mr. MAHON. If we make a pretty good crop, pretty generally balanced according to past history, most of our grain exports will be wheat and then next will come corn and then rice and grain sorghums and the other grains which would come in for a lesser portion; is that right?

Mr. DODD. I think we will have a call for rice and grain sorghums which we can make available for export regardless of the others. We are in the position now of having a good deal larger production of rice than we can possibly use in this country. It has been built up a great deal since the beginning of the war. But there is no chance of the rest of the world getting back on rice production as they were immediately prior to the war.

Dr. FITZGERALD. Congressman, I think I am correct in saying that if India canno get wheat, for which it has first preference, then it would take grain sorghums as second preference.

GRAIN IMPORTS, AVAILABILITY, ETC., FOR GERMANS

Mr. WIGGLESWORTH. For Germany is given 462.2 imports under the ECA; total availability of 12,771,000 as compared with prewar of 14,265,000, and the current figure, 11,684,000. Do you have these figures broken down by zones?

Mr. NORTHRUP. I have population figures for the three zones together—bizonia, French zone, and the Saar. The population in 1947 was 49,800,000; prewar, 43,100,000.

Mr. MAHON. Most of that grain is to come from the United States; and it is contemplated that the grain you are talking about is grain for the Government of the occupied areas?

Mr. NORTHRUP. I can give you the break-down of the total of 4,825,000 tons for the three zones.

For bizonia alone, 3,170,000 tons from the United States; 200,000 from Canada; 245,000 from other Western Hemisphere countries; and 730,000 from the other nonparticipating countries; which might be eastern Europe or some other part of the world.

Then for the French zone and the Saar—I can add them together—275,000 from the United States; 205,000 from the other Western Hemisphere countries; and none from Canada.

Those add up to the 4,825,000 figure in this book. These figures I am quoting compare with those in the brown book.

Mr. MAHON. I see.

Mr. WIGGLESWORTH. Unless the production is increasing pretty slowly, it still is well below prewar, I notice.

Mr. NORTHRUP. But these figures show some increases over the current year, in the total grains.

MONDAY, APRIL 26, 1948.

FATS AND OILS

REQUIREMENTS FOR AUSTRIA

The CHAIRMAN. The next item is fats and oils. Your picture on that in Austria, the first country, is ECA shipments, 25,000 tons out of 64,000 of imports, giving them an availability of 106,000 tons.

That means an increase in the amount of items available, of imports, of 12,000 tons above the prewar picture. It is also set up to give them an increase of 44,000 tons above the 1946–47 picture, and 28,000 above the 1947–48.

Why do we need to go as far as that, and why can they not do better than that domestically?

Mr. NORTHRUP. I call attention to the fact that the estimated supply for 1948–49 is still below prewar.

The CHAIRMAN. I appreciate that.

Mr. NORTHRUP. This is an attempt to get them back toward the prewar figure with regard to this very important food category.

The CHAIRMAN. They have not had any more reduction than we have had in the per capita set up, have they?

Mr. NORTHRUP. The figures I have before me would be, prewar in the United States, on a per capita basis, in terms of fats and oils, 44.7 pounds, per capita; and in 1947, 41.1.

The CHAIRMAN. Forty-one and one-tenth.

Mr. NORTHRUP. Yes; which is 92 percent of prewar.

The CHAIRMAN. And this will bring them above prewar per capita, will it not?

Mr. NORTHRUP. You mean in Austria?

The CHAIRMAN. Yes; 1947 shows——

Mr. NORTHRUP. No; this is for United States.

Mr. DODD. This figure he gave was for the United States.

Mr. NORTHRUP. That is correct.

Mr. STEFAN. The 44.7 per capita is in the United States; and now is 41?

Mr. NORTHRUP. Yes.

Mr. STEFAN. That is for the United States.

Mr. NORTHRUP. That is right; that is 92 percent of prewar according to this estimate. In Austria the available supply would be 106,000 tons next year, compared with 115,000 tons prewar.

Mr. STEFAN. What kind of fats and oils are you talking about when you refer to fats and oils?

Mr. MAHON. That was a question I had in mind; what fats and oils are involved in this picture.

Mr. STEFAN. Can you tell us what they are?

Mr. NORTHRUP. These are largely edible fats and oils. Fats and oils cover a wide variety of items.

Mr. STEFAN. We know that, but we would like to know what is included.

Mr. MAHON. I would like to know the items that are covered.

Mr. STEFAN. That is what I have in mind.

Mr. DODD. They are both edible and inedible fats and oils.

Mr. STEFAN. But what are they, Mr. Dodd?

Mr. DODD. You mean the different kinds of fats and oils?

Mr. STEFAN. Yes.

Mr. NORTHRUP. We do not have a complete break-down by countries of the kinds of fats and oils.

Mr. STEFAN. Not by countries; just give us the different kinds of fats and oils covered in this program.

The CHAIRMAN. Is it lard, coco. peanut oil, butterfat, or what?

Mr. NORTHRUP. It would not be butter.

The CHAIRMAN. What would it be?

Mr. NORTHRUP. Except as respects butter from their own production.

The CHAIRMAN. Yes.

Mr. NORTHRUP. If you would like to have that broken down we can attempt to get it.

Mr. STEFAN. I think you should put in the record a break-down of the kinds of fats and oils in this program.

The CHAIRMAN. There must be someone who would know about that.

Mr. DODD. Mr. Fitzgerald I think can give that.

Dr. FITZGERALD. The major imports will be liquid edible oils of which the more important ones will be peanuts, soybeans, cottonseed oil, lard, and others.

Mr. STEFAN. Peanuts and what?

Dr. FITZGERALD. Cottonseed and soybean oil.

Mr. STEFAN. About how much?

Dr. FITZGERALD. There will be a considerable quantity of coconut oil.

Mr. STEFAN. By considerable quantity just what do you mean?

Dr. FITZGERALD. I would say about 20 percent of the total.

Mr. STEFAN. Twenty percent. Where does that come from?

Dr. FITZGERALD. Most of it from the Philippine Islands.

Mr. STEFAN. Will any of it be taken from the stock pile that we are proposing to build up? We are proposing to have a stock pile of some 300,000,000 tons. Do you know if any of it will come from that source?

Dr. FITZGERALD. I know of no stock pile of fats and oils.

Mr. STEFAN. I am speaking of the stock piling that is now in the program that is proposed.

Dr. FITZGERALD. I do not know of it; there is none that has been stock-piled.

The CHAIRMAN. That program has not been approved; it was proposed, but the proposal has been withdrawn.

Mr. DODD. There will be some linseed oil.

Mr. STEFAN. Some linseed oil?

Mr. DODD. Yes.

The CHAIRMAN. Linseed oil will go in as fats and oils?

Mr. NORTHRUP. That will be included.

The CHAIRMAN. That is included in the total.

Mr. DODD. They are making some margarine today from linseed oil.

The CHAIRMAN. Is that the same kind of linseed used for paint?

Mr. DODD. That is right. I do not believe our people would enjoy margarine made from linseed oil, but those people have been denied fats so long that they take it and say it is good.

Mr. MAHON. Mr. Chairman, I would like to have Mr. Stefan's question sufficiently answered in the record. We are primarily interested in knowing approximately how much peanut oil, approximately how much cottonseed oil and approximately what other oils are included in this program?

Mr. STEFAN. Can you give us that information?

The CHAIRMAN. Also cocoa.

Mr. MAHON. Can you give us a general break-down?

Mr. DODD. I do not believe that any human could give you the figures on any firm basis today, because fats and oils are interchangeable; that is, if the price of one goes up the shift may be made to another, or if the production of one goes up its supply may replace another oil.

Mr. MAHON. It will depend upon price and availability?

Mr. DODD. Price and availability; yes. In other words, if peanut oil gets too high and you have a good production of cottonseed oil you would take cottonseed oil instead of peanut oil. But over this past 6 or 8 months the demands for oil have been so great that they are paying good prices.

Mr. MAHON. What is the approximate price per pound?

Mr. DODD. I will have to put the exact information in the record; but it runs from around 26 down to 11 cents. I think we can give you a fairly accurate statement on that.

Mr. NORTHRUP. We can give you a pretty fair estimate. In March 1948 lard prices were 22 cents a pound, cottonseed oil 24 cents, peanut oil 24, soybean oil 21, corn oil, 23, linseed oil 28, inedible tallow 19, cottonseed oil foots 6.

The CHAIRMAN. Dr. Fitzgerald has stepped out for a moment. I wonder if he could give us the percentages estimated in this program.

Mr. DODD. He can give a rough estimate, I am sure, as to a number of items.

Mr. MAHON. Of course, it is obvious that they might vary considerably.

The CHAIRMAN. Surely; I know that, but the crop of peanuts might be better than the crop of soybeans, or the crop of soybeans might be better than some other crop.

Mr. DODD. Today, you see, tallow is fairly plentiful, and tallow is relatively cheap in comparison to some of the other oils. There again you have to take into consideration the inedible tallow and the edible tallow, and the price has an awful lot to do with the amount that goes into the different oils.

Mr. MAHON. Of course, we all know that margarine and butter will be somewhat scarcer for the American consumer by reason of the exports of these fats and oils, and I would like to know generally what the situation is?

Mr. DODD. The world is still short and it looks like it is going to be short of fats and oils for some little period.

Mr. STEFAN. Are they proposing to send over any lard?

The CHAIRMAN. Yes; there is some lard in the program.

Mr. DODD. There might be some lard. Last year there was a time or two when we had to move lard when there was a drop in the price in this country.

The CHAIRMAN. You said there was a considerable amount of tallow that was available. What is that, beef?

Mr. DODD. Beef tallow, yes. The only thing we have to keep in mind is the question of restriction on exports, because the people here like tallow; it is used in margarine, and some of the other oils.

Mr. STEFAN. Like Crisco?

Mr. DODD. Swift's Spry; it is used in it.

Mr. STEFAN. There is tallow in it?

Mr. DODD. Tallow is used in it.

The CHAIRMAN. Some is used in oleo?

Mr. DODD. Not so much.

The CHAIRMAN. A considerable quantity in oleo?

Mr. DODD. I can give you the exact figures showing what they were last year.

The CHAIRMAN. It was not a big item?

Mr. DODD. Not a big item in here, except if we can get a lot of tallow cheaper.

Mr. NORTHRUP. I can add this much to the information, that of the 64,000 tons of imports——

The CHAIRMAN. Of what figure?

Mr. NORTHRUP. Of the 64,000 tons.

Mr. STEFAN. Into Austria?

Mr. NORTHRUP. Into Austria, the brown book indicates that only 16,000 tons is estimated to come from the United States.

The CHAIRMAN. That does not make so much difference, because it has to come from the world supply.

Mr. NORTHRUP. That is right.

Mr. DODD. And we need to import oils also.

The CHAIRMAN. We have always been an importer.

Mr. DODD. Yes.

Mr. NORTHRUP. I think Dr. Fitzgerald should comment on the question you have raised concerning the estimates of the allocations for next year, but I think it might be well to understand that fats and oils is one of the major items still being allocated by the IEFC. The allocations for next year have not been made by the IEFC. They have studies underway, and these are only estimates of what it might look like. That is the reason that it makes it difficult to supply answers to the kinds of questions you are asking particularly by countries. the fats and oils picture is very complicated and very difficult to analyze statistically in advance.

Mr. MAHON. What is the greatest source of fats and oils in this country; soybeans?

Mr. DODD. Probably today it would be about the same as cottonseed. If we get the anticipated planting of soybean acreage it will probably be about the same as cottonseed, but yields per acre can vary this somewhat.

Mr. NORTHRUP. This gives a picture of the over-all estimates of the countries as a whole, but if you need it broken down by individual items for the particular countries we do not have that figure.

Mr. MAHON. Could you tell us about what the percentage would be, Dr. Fitzgerald?

Dr. FITZGERALD. I believe I can answer it. A rough approximation of the total of our exports of fats and oils from the United States——

The CHAIRMAN. Exports?

Dr. FITZGERALD. Exports, yes, around 250,000 tons, of which 150,000 tons will go to the 16 ERP countries, and roughly, again——

Mr. STEFAN. That is through 1949?

Dr. FITZGERALD. That is 1948–49.

Mr. STEFAN. The fiscal year?

Dr. FITZGERALD. Yes. And of the 150,000, about 50,000 will be lard; about 40,000 peanuts; 10,000 soybeans; 10,000 cottonseed; and 4,000 other, of which linseed, as Mr. Dodd indicated, will be the most important; it will include tallow and inedible oils of varying kinds.

Mr. STEFAN. How about the 20 percent of coco?

Dr. FITZGERALD. Mr. Stefan, I was referring to exports here.

The CHAIRMAN. Exports?

Mr. STEFAN. From the United States?

Dr. FITZGERALD. Yes; and for the committee's information——

The CHAIRMAN. The over-all quantity that goes into the program; how would that be broken down?

Dr. FITZGERALD. From all sources?

The CHAIRMAN. Yes.

Dr. FITZGERALD. I can give the figures in general, if you would like to have them.

The CHAIRMAN. That is what we are trying to get.

Dr. FITZGERALD. You see the difficulty on that. I will be glad to give the information, but a great deal of it will be from the colonial areas of the 16 countries. For example there will be about 80,000 tons coming from the French colonial territories, of which the major item will be peanuts from west Africa.

The CHAIRMAN. Why do we need to be financing the operations with their own colonials, when the only thing they have to pay with is exchange in sterling?

Dr. FITZGERALD. Mr. Chairman, I was a little elliptical. I should have said that the figures that I am referring to will be a part of the over-all, not under this program; not what will be paid under this program.

The CHAIRMAN. That is the total they will get; their total imports?

Dr. FITZGERALD. That is correct.

Mr. CASE. Why should they in any degree pay dollars to the colonial possessions of any of these recipient countries? Can they not take care of them out of their own currency?

Mr. NORTHRUP. Mr. Nitze should discuss that.

Mr. CASE. What about cocoa; where do they get the cocoa?

Mr. NITZE. From the Western Hempisphere; from Brazil, and a very small amount——

Mr. CASE. The colonial possessions of some of the participating countries produce a great deal of cocoa.

Mr. NITZE. Some of them.

The CHAIRMAN. Most of them. The British production in the colonial possessions is practically two-thirds of the world's supply.

Dr. FITZGERALD. About one-half; a little better than one-half.

The CHAIRMAN. Last year it was 399 out of 625.

Mr. NITZE. I think the point is that these estimates are based on the flow of commodities, so there would not be a drastic change in the free flow of commodities. The amount of coco flowing from this country to Europe would be relatively insignificant in dollars.

Mr. CASE. There has been no attempt, in estimating this program, to work it out in such a way as to save the taxpayers of the United States?

Mr. NITZE. Yes; we think this is the way in which the maximum amount of the taxpayers' money will be saved.

Mr. CASE. It seems to me they have figured out as much as possible how we can put up dollars to insure they will have these supplies and obtain them without the use of their own currency.

Mr. STEFAN. Let us finish with the fats and oils. Will you put in the record at this point a break-down of the fats and oils to the 16 countries so we can have the record complete on that item?

Mr. MAHON. That is what I would like to get; a complete picture of fats and oils and then forget it.

Dr. FITZGERALD. Yes.

The CHAIRMAN. It is difficult for the committee to sit here and check over the figures, and I am wondering, Mr. Fitzgerald, if you cannot secure that information for us and let us go ahead with the other items.

Dr. FITZGERALD. Yes.

(The information requested follows:)

Tentative distribution of fats and oils imports of participating countries by sources and types, July 1, 1948–June 30, 1949

NOTE.—Asterisk (*) indicates sources from which some supplies may be financed with ECA funds under present plans]

Country of origin	Types and quantity of fats and oils				
	Edible		Industrial		Total
	Kind	Estimated quantity	Kind	Estimated quantity	Estimated quantity
		1,000 metric tons		*1,000 metric tons*	*1,000 metric tons*
Western Hemisphere:					
United States*	Lard	(1)	Soap fats	(1)	
	Vegetable oils				116
Canada*			Linseed oil	12	12
Other Western Hemisphere:					
Argentina*	Vegetable oils		do		
	Lard		Tung oil		
	Butter	125		170	295
	Tallow				
Brazil*	Vegetable oils	3	Castor oil	20	23
			Linseed		
Uruguay*	do		do		
			Tallow	18	18
Other America*	do	1	Linseed	3	4

Tentative distribution of fats and oils imports of participating countries by sources and types, July 1, 1948–June 30, 1949—Continued

Country of origin	Types and quantity of fats and oils				
	Edible		Industrial		Total
	Kind	Estimated quantity	Kind	Estimated quantity	Estimated quantity
		1.000 metric tons		*1,000 metric tons*	*1,000 metric tons*
Other Western Hemisphere—Con.					
Total other Western Hemisphere.					340
Other participating countries:					
Norway	Whale oil				107
Denmark	Butter				
	Lard				75
Greece	Olive oil				6
Iceland	Fish oil				30
Italy	Olive oil				11
Ireland	Butter				6
Netherlands	Margarine				5
Sweden	do				10
Turkey	Vegetable oils	4	Linseed oil	5	9
United Kingdom	Margarine				20
Total other participating countries.					279
Dependent overseas territories:					
Belgian Congo	Palm oil				
	Palm kernel oil				
	Vegetable oils		Castor oil		83
French territories	do		do		
	Palm oil				
	Palm kernels				
	Coconut oil				211
Netherlands East Indies	do				
	Palm oil				
	Palm kernel oil				
	Vegetable oils				162
Portuguese territories	Palm oil				
	Coconut oil				
	Vegetable oils				59
United Kingdom territories	Palm oil				
	Palm kernel oil				
	Vegetable oils				551
Total dependent overseas territories.					1,066
Nonparticipating countries:					
Philippine Republic[1]	Coconut oil				215
China	Oilseeds	46	Tung	13	59
Ceylon	Coconut oil	45			45
India	Oilseeds	28	Linseed	38	66
			Castor		
South Africa	Marine	17			17
Australia	Butter		Tallow		53
	Tallow				
New Zealand	Butter		Tallow		104
Others	Oilseeds				6
Total, other nonparticipating countries.					565
Total					2,378

[1] Quantities to be determined on consideration of needs, price, and availability.

REQUIREMENTS FOR BELGIUM

The CHAIRMAN. The next item is for Belgium: The total imports for fats and oils run to 139,000 tons, with a total available supply of 197,000 tons, as against 220,000 prewar and 186,000 last year.

You have set up 13,800 tons on the ERP. I am wondering why we need to do that; why we need to pay for that, and why we need to step that up above the present set-up. That gives those people, with about the same population as Austria, pretty near double the quantity of fats and oils. While it would be nice for them to have it, why should that be done?

Mr. NORTHRUP. This is the same relative kind of treatment that we have attempted to make for each country; that is, it is to allow them to get back more nearly to prewar. I think you will note that this has been done for each of the countries.

The CHAIRMAN. You have got to consider the percentage of the amount of per-capita consumption of the particular commodity and try to balance the commodity up that way. I notice there is a considerable shortage on these items. Why should we wade in and try to do more for one country than we do for another?

Mr. NORTHRUP. I think you will find this is substantially true through the whole program, that there has been no attempt, either in forecasting for the next year or for the 4-year plan, to level off consumption by commodities to the same level for each country.

The CHAIRMAN. That is true, but when we get a discrepancy of that proportion I am just wondering whether we should wade in with the ERP on such an attempt.

Mr. NORTHRUP. Considering the question in the reverse, it did not seem appropriate on this side of the water—and this was my personal view, Mr. Chairman—it did not seem appropriate from this side of the water, to attempt to interrupt their pattern and rearrange their entire food program of consumption; rather the attempt has been made to approach it more nearly from the normal pattern of consumption through taking the prewar pattern, and that pattern by commodities, which you will note, varies substantially by countries. It did not seem to the people who were working out these figures to be appropriate for this country to take a look at the problem and say to the country that your prewar consumption was so much and that we propose to change it and make it level across the board with other countries. As I indicated, we felt that the approach we are making was the more defensible approach. To some extent I am expressing my own personal views in that regard, but the figures do reflect that kind of an approach throughout, as I think you will find.

The CHAIRMAN. That is another evidence that there has not been any analysis of these figures?

Mr. NORTHRUP. To the contrary, a very careful and detailed one.

DISCUSSION OF BASIS FOR DETERMINING PERCENTAGE OF COMMODITY IMPORTS BY VARIOUS COUNTRIES TO BE FINANCED BY ECA

Mr. MAHON. Why did you decide to finance through ECA 10 percent of the imports; why would you decide upon financing 10 percent rather than say 5 or 20 percent? Will you elaborate on that a little?

Mr. NITZE. The first job of the Department was to try to estimate as best they could what commodities might be available from the participating countries and from the nonparticipating countries, and to set the estimate within the available supply.

Then a deficit was found in the case of many countries between the total amount required to finance the import requirements and the total resources available to the country to pay for them. That deficit was allocated between the groups of commodities, and using that illustrative pattern, ECA funds are used to provide an amount to make up the difference. That is an illustrative distribution of the ECA amount as between commodities.

Mr. MAHON. Looking at Belgium, there again, if Belgium would be viewed as a whole, the question would be whether to finance through the ECA more fats and oils, in order to get exchange into Belgium, or of financing more of something else, say sugar? In other words, if ECA were to finance 45 percent of the sugar then you would decrease to a considerable extent, you could have on that assumption, the financing of more of the fats and oils.

Mr. NITZE. That is correct.

Mr. MAHON. It is all just a matter of getting them enough dollars for them to buy the essential commodities for rehabilitating their country.

Mr. NITZE. If you will turn to pages 10 and 11 of the thin brown book, entitled "Proposed Distribution of Economic Cooperation Act Financing by Country and Commodity"——

The CHAIRMAN. What page?

Mr. NITZE. Pages 10 and 11 of the thin book, which gives the picture as to Belgium and Belgian dependencies, you will see on the last line of page 11, that if the pattern of trade was to be worked out as indicated in the illustrative distribution of commodities, Belgium would need $987,000,000, approximately, to finance its total imports from the Western Hemisphere and that the year's earnings from its exports would only finance $348,000,000, of these imports. In addition it is estimated that $211,000,000 might be financed from other sources, loan, or credits, which would leave a total deficit of $427,000,000 for Belgium.

It was impossible to take care of all of these deficits within the $5,222,000,000 that in effect remains under the authorization of the Congress. In trying to develop a program, an arbitrary disposal of the ECA obligations was worked out in columns 5 and 6; column 5 on a 15-month basis, and column 6 on a 12-month basis, which would be within the $5,222,000,000 which was authorized for appropriation.

Mr. WIGGLESWORTH. Does this mean that the Belgium program, as the State Department has given it, was reduced from 427.6 million to 376 million on a 15-month basis?

Mr. NITZE. That is substantially correct. There are further factors in there covering the difference between shipments and obligations which are also involved in the transition from column 4 to column 5.

Mr. CASE. You continue to use the expression that these are illustrative figures, and I take that to mean, with reference to fats and oils and other items, oil cake and meal and these other figures are not firm figures in any sense?

Mr. NITZE. That is correct. There is no way in which we could anticipate decisions the Administrator would make.

Mr. CASE. Then that would be true with regard to all the other commodities?

Mr. NITZE. That is correct. These are merely illustrative distributions; we could not and we are not in position to predetermine the distribution the Administrator would make.

Mr. MAHON. Let me ask you this question: Looking at this table again, we find for grains, that the ECA will finance 600,000 tons of the total imports of 1,545,000 tons. If ECA should finance all the wheat imports then it might very probably be that it would not be necessary for anything else to Belgium to be financed by ECA funds?

Mr. NITZE. That is correct.

Mr. MAHON. So we are just shadow-boxing, absolutely shadow-boxing on the whole thing. That is, these countries need a certain amount of dollars to carry on their economy and this is merely the mechanism of getting the dollars into those countries. These are not firm commodity figures as to fats and oils and grains and the other items; so as I see it, it absolutely means nothing.

Mr. CASE. Mr. Chairman, I would like to follow up a little further the question that was asked Mr. Nitze.

You mean that these presentations are merely suggestions from the State Department for the committee, but that they have no bearing upon the decision of the Administrator?

Mr. NITZE. That is correct.

The CHAIRMAN. And that covers the whole picture?

Mr. NITZE. That is correct.

The CHAIRMAN. And it is merely an estimate by the State Department, made on this side of the water, without any final check in the recipient countries of the requirements of the needs?

Mr. NITZE. That is not correct.

The CHAIRMAN. That is not correct?

Mr. NITZE. No.

The CHAIRMAN. What kind of a check has been made?

Mr. NITZE. In the first place, Mr. Chairman, it was not all done by the State Department; it was an executive branch job, with the Department of Agriculture doing the basic work on agricultural commodities; the Department of Commerce on other items, with the other appropriate departments involved with the various items. The job of putting them together was finally done by the State Department.

The CHAIRMAN. It is still just sort of up in the air. I have been trying to find out if there was any basis for this whole operation, and that is why I asked for this table. Now after we get the table we are told that it is just speculative.

I would like to know if there really has been an intelligent approach to this problem. I am simply trying to find out, and frankly, the more I get the more doubts I have, and the further we get along the more doubt I have as to whether there has been an intelligent approach to the problem.

Mr. DODD. May I speak to that just a minute, Mr. Chairman, and I do not mean that there has not been an intelligent approach by the other departments of Government, but the representatives of these 16 countries did meet in Paris and did put down what, in their best judgment, was going to be their needs for this period of time.

Mr. WIGGLESWORTH. In what form?

Mr. DODD. They put down their needs over and above their production; they put down what their production would be and put down what their needs would be in the different fields.

Mr. WIGGLESWORTH. Did they put down the 50 items in this program?

Mr. DODD. Yes; practically so.

Mr. WIGGLESWORTH. The over-all figure in relation to balance of payments, and told you what the need would be?

Mr. DODD. It was broken down by commodities and by different items and then finally all of it was recapitulated.

Mr. CASE. Mr. Dodd, will you state for the record that in every instance the recipient country asked for the commodities herein proposed to be assigned to them by the ECA and that the quantity figures will not exceed the amount that is proposed to be ECA-financed?

Mr. DODD. I cannot do it just in that way, Mr. Case.

Mr. CASE. Why?

Mr. DODD. Because we had certain demands for some items.

Mr. CASE. I thought we were told a while ago that we did not from our God-given seat plan to determine their pattern of consumption.

Mr. DODD. But we have the same specific question to consider in figuring all the items in the whole program.

Mr. CASE. Will you state that all of these quantities that are supposed to be ECA-financed are less than the requests of these countries, and that in no instance do we propose to send something they have not asked for?

Mr. DODD. I could not state it that way; the situation might be that they would have to accept some other figure.

Mr. CASE. I do not blame them if they can get it.

Mr. DODD. I think the State Department might answer that.

Mr. NITZE. I think it is correct that these figures represent in all cases exports from the United States less than what the CEEC figured the requirements should be, but in some instances the available grains were substantially less than what the CEEC estimated their requirements to be, so we drastically reduced the exports of grain included in the program from the CEEC and substituted other foods.

Mr. CASE. That is a case we are discussing?

Mr. NITZE. That is right.

Mr. CASE. I am wondering if there is any instance in which you propose to send something they did not ask for, either in the type of commodity or the quantity of the commodity.

Mr. NITZE. In certain instances the Department of Agriculture felt there would be availabilities in the United States of products which could act as substitutes for the things we could not send them because of reduced availabilities. And I think processed milk was in that category.

Is that not correct?

COMPARISON OF PRESENT ESTIMATE OF COMMODITY REQUIREMENTS WITH CEEC ESTIMATES

Mr. NORTHRUP. If I may make a comment there, we have prepared a table for you, which we would be glad to put into the record, labeled "Table B." This is not an all-inclusive table, but is for all of the

important food commodities shown on the other tables. It is in three columns. The first column is headed "CEEC estimate." The figures in that column represent the statements of the 17 countries as put together at Paris last year, and those are the tentative import requirement figures that came to us last fall in October. The second column is labeled "Executive branch estimates, fall, 1947." That column represents our best estimates at that time of the amounts that could be furnished from all world destinations against the Paris figures. The third column represents our most up-to-date revisions of those same figures.

You will note in the majority of the basic items that both our fall estimates and the ones made in March which are before you now are less than the Paris estimated request statement of requirements.

Mr. CASE. Mr. Northrup, I note that the outstanding items where there are increases are, first, processed milk; second, tobacco; and, third, apparently, cotton.

Mr. NORTHRUP. I would be glad the comment on those three.

SUGAR

Mr. CASE. And there is some increase in the item of sugar. Will you take a couple of those things and explain the estimates?

Mr. NORTHRUP. Yes; I think I can.

Mr. CASE. First, let me take it up in direct question and answer form.

As to sugar, the CEEC estimate was 3,053,000 metric tons?

Mr. NORTHRUP. Yes, sir.

Mr. CASE. The fall estimate was 3,056,000 metric tons?

Mr. NORTHRUP. Yes.

Mr. CASE. And the March estimate is 3,297,000 tons?

Mr. NORTHRUP. Right.

Mr. CASE. Why the increase of approximately 240,000 metric tons of sugar?

Mr. NORTHRUP. That reflects two things. First, it reflects our knowledge that the stated requirements in the Paris report—because we had access, as I told you, to the technicians from the Paris conference who helped to evaluate their original requests—we knew that the original statements made in Paris were made by them somewhat in line with their own estimates at that time of the world availabilities, and you will note our estimate of availability and import requirements last fall was almost the same as the Paris request——

Mr. CASE. But between the fall and March——

Mr. NORTHRUP. That reflects our estimates as of March of an increased amount of world availabilities, which we know will more nearly take care of some of the urgent requirements foodwise in Europe.

Mr. CASE. For example, is the caloric value of sugar high?

Mr. NORTHRUP. The caloric value of sugar is very high.

Mr. CASE. And you have made a reduction in the all grains item; so that you might say you are proposing to give them the same calories in sugar instead of grain?

Mr. NORTHRUP. Right; that is exactly what we did.

PROCESSED MILK

Mr. CASE. To go to the next item, processed milk, the CEEC estimate was 240,000 metric tons, whereas your fall estimate was 346,000 metric tons. That was an increase of 106,000 metric tons. Now your March estimate is 357,000 metric tons, which is an even greater increase. Why the increase?

Mr. NORTHRUP. The same general comments apply there, as for sugar. 240,000 tons was low, in our judgment, in relationship to the need over there. We thought in this instance they had badly understated their requirements, and our analysis of the availabilities, both from this country and otherwise, showed that increased amounts could be made avaliable without any strain on the economy.

Mr. CASE. Is there a high caloric value to milk?

Mr. NORTHRUP. There is a very high food value to milk, and it is an item which, all through the short food emergency period, European countries had indicated, as I am sure everybody here will testify, they wanted all they could get.

Mr. CASE. So that that will help to replace the deficiency in grains and perhaps also eggs?

Mr. NORTHRUP. That is right.

Mr. CASE. To take that up as the next item, the CEEC estimate was 346,000 metric tons; in the fall you proposed 209,000 metric tons; and now, in March, it is 239,000 metric tons; so that there is apparently a shortage in eggs and grains.

Mr. NORTHRUP. Right.

Mr. CASE. And the two notable increases thus far are sugar and processed milk.

Mr. NORTHRUP. Yes, sir.

FRESH FRUIT

Mr. CASE. The next item in which there is a substantial increase is fresh fruit. The CEEC estimate was 2,811,000 metric tons; in the fall you estimated 2,818,000 metric tons; and now, in March, you estimate 3,173,000 metric tons. Why the increase?

Mr. NORTHRUP. That, again, reflects the estimate of increase of availabilities from exporting sources of a commodity which goes a long way to get off this curse in Europe of an unpalatable bread-grain diet—a monotonous diet.

Mr. CASE. But does the fresh fruit have a caloric value comparable to milk, sugar, or grains?

Mr. NORTHRUP. It is a different kind of food. I wonder if there is a food expert here who would like to answer that question.

Mr. CASE. How about that, Dr. Fitzgerald?

Dr. FITZGERALD. It does not have the same caloric content, but it does have other values, particularly the vitamin values.

Mr. CASE. Of course, proportionately, that is an increase of about 300,000 metric tons on the basis of 2,811,000 metric tons to 3,173,000 metric tons. That is a little over 10 percent.

TOBACCO

The next item which shows a substantial increase is tobacco. The CEEC estimate was 247,000 metric tons. That was their request.

The executive branch estimate for the fall of 1947 was 328,000 tons, and the March estimate was 323,000 metric tons—an increase of almost 100,000 metric tons, or 80,000 tons, possibly.

What is the caloric value of tobacco?

Mr. NORTHRUP. Zero, I guess.

Mr. CASE. Now, from your God-given seat of planning, how did you determine that an increase of nearly 100,000 metric tons of tobacco would increase the caloric value of the food provided for these ECA countries?

Mr. NORTHRUP. We made no such estimates.

Mr. CASE. From your God-given seat of planning, on what basis did you justify that increase, then?

Mr. NORTHRUP. The 247 figure in the first column, when we dug into it, we found was a defective figure in this sense: First, the French figure was greatly understated. They made just an outright error in the Paris statement.

Mr. CASE. The French made a mistake in their own statement at Paris?

Mr. NORTHRUP. Yes. It did not reflect an accurate statement of the French requirements.

Mr. CASE. How did you determine that?

Mr. NORTHRUP. The French delegation in a footnote in the Paris report indicated they had no figures on exports or imports of tobacco; consequently they entered no import requirements. We have good information as a basis for our estimate of 25,000 tons to tobacco imports for France.

Mr. CASE. That is, the State Department knows more about that than the French know about it themselves?

Mr. NORTHRUP. No. This reflects our own tobacco people's information in our own department.

Mr. CASE. And they know more about it than the French?

Mr. NORTHRUP. We knew statistically that the 247,000 did not reflect the French requirements, because we knew the level of consumption in the country and we also knew the amount of tobacco needed to keep their factories going. Another reason why the original request of 247,000 is so low—is that there was nothing in the Paris report for the requirements for Germany. Ever since the war, we have not been putting any tobacco into the occuplied area of Germany, and it was the judgment of our tobacco people, in which we concurred, that under a rehabilitation program of this kind a very modest amount of tobacco should go into Germany for what seemed to us very excellent reasons. In the restoration of the Germany economy it is a rehabilitation or incentive good which is, on anybody's analysis, a direct contribution.

Mr. CASE. By reference to the table which you have supplied as to the estimates of total imports for western Germany, including the bizone, the French zone, and the Saar, I notice the ECA financed shipments are 14.6 thousand tons, and your increase is well over 80,000 or 81,000 on your fall estimate and about 76,000 on the other. Apparently, it is more the supplying of tobacco to western Germany that accounts for the increase.

Mr. NORTHRUP. German and French requirements are two outstanding examples that I want to call to your attention. All other require-

ments are the same as those requested by the countries themselves in the CEEC report except for statistical rounding.

Mr. CASE. Well, the French figure is 18.3 thousand tons, and 14 and 18 are 32. That would account for less than half of the increase.

If the French made a mistake in their own figures, and the State Department knows better than the French what the French figures are——

Mr. NITZE. It is not a case of the State Department's knowing better than France——

Mr. CASE. Just a minute. Let me finish, and then I will let you make your statement. If the French made a mistake in their own figures of 18,000 and you have inserted an increase for Germany of 14,000 tons and made that 22,000, or you have added to the base 14,000 by one-third or 33⅓ percent, would you say the countries made mistakes in their estimates of their own needs that would account for the most of the increase?

Mr. NORTHRUP. I cannot remember the figures offhand, but all my comments are directed not at the ECA financed shipment column—that is a separate point of consideration that Mr. Nitze can explain to you—but I would like to call attention to the fact that these tobacco figures, totalwise, for the 16 countries and western Germany, still will provide in 1948–49 a per capita consumption of 84.1 percent of the prewar consumption in those same countries.

The CHAIRMAN. Which countries show a big cut, because a good many of them show an increase?

Mr. NORTHRUP. Over prewar; that is correct. Several countries show some increase.

The CHAIRMAN. Take Portugal: That shows pretty nearly a 100 percent increase over prewar, and France shows nearly a 100 percent increase over prewar.

Mr. NORTHRUP. That is right for Portugal; but I don't follow your comment on France. These import figures for all of these countries are an attempt to reflect their present rates of consumption.

The CHAIRMAN. The Netherlands shows an increase over prewar.

Mr. NORTHRUP. The per capita consumption in those countries, in many of them, has been going up since prewar, just as it has been in this country.

The CHAIRMAN. The only one I find that shows a decrease is Ireland, and that is very small.

Mr. NORTHRUP. The 84 percent over-all figure obviously is heavily weighted for the decrease next year in the German figures.

The CHAIRMAN. You mean Germany is down?

Mr. NORTHRUP. Yes, substantially.

Mr. WIGGLESWORTH. What is the fundamental purpose of this tobacco shipment? Is it merely a commodity that helps to take up the slack in the balance of payments?

Mr. NORTHRUP. I do not think it should be described that way. These tobacco figures reflect two or three very important things. One, they reflect an attempt to meet a reasonable level of consumption, country by country. The second important point is that we have imported no tobacco into Germany; consequently, the level of consumption has been so low. They have never been self-sufficient in tobacco, anywhere near, in Germany, and this is a modest attempt

to put back into Germany some imports of tobacco as incentive goods, which everybody, I believe, agrees would make a distinct contribution to a problem there.

Mr. CASE. Can you give us a break-down by countries of the CEEC estimate for these 247,000 tons of tobacco?

Mr. NORTHRUP. Compared with——

Mr. CASE. Not compared with anything; just what their requests are for tobacco.

Mr. NORTHRUP. Yes; we can furnish that for you.

Mr. CASE. Put it in the record at this point.

Mr. NORTHRUP. Yes.

(The information requested is as follows:)

Tobacco: CEEC estimated import requirements by countries[1]

[In 1,000 metric tons]

Austria	7	Norway	5
Belgium and Luxemburg	27	Portugal	5
Denmark	10	Sweden	8
France	([2])	Switzerland	10
Greece	0	Turkey	0
Iceland	([3])	United Kingdom	134
Ireland	6	Western Germany	([4])
Italy	5		
Netherlands	30	Total	[5] 247

[1] Source: CEEC technical reports, vol. II, p. 107.

[2] The following footnote from the above report is quoted as follows: "As no figures for import and export of tobacco were available, the French delegation estimated that the import of tobacco equaled the export of same." Such estimate is an error because France historically has imported significant quantities of tobacco to supplement indigenous production and does not export any significant quantities. The United States estimated requirements of 25,000 tons are less than both prewar and postwar imports.

[3] Less than 500 tons and no figure shown due to rounding to thousands of tons.

[4] Requirements omitted by CEEC. The United States estimated requirements of 49,000 tons plus indigenous production will furnish a per capita tobacco supply about equal to three-fourths of prewar consumption levels.

[5] Adding the 25,000 tons for France and 49,000 tons for western Germany, this total becomes 321,000 tons.

Mr. CASE. What is the average dollar cost for 1,000 tons of tobacco?

Mr. NORTHRUP. The weighted average cost f. a. s. is $966 per metric ton.

Mr. CASE. Just for very quick figuring, you could say about $1,000.

Mr. DODD. It is a little over 40 cents a pound—a farm price of 42 or 43 cents a pound for all grades.

Mr. NORTHRUP. Right.

COTTON

Mr. CASE. And the next item on which you show figures in your column, is cotton, and the CEEC estimate is n. a. What does "n. a." mean?

Mr. NORTHRUP. Not available. It did not come to us from Paris.

Mr. CASE. The executive branch have decided it would be a good thing to provide 1,317,000 metric tons; is that correct?

Mr. NORTHRUP. Yes, sir.

Mr. CASE. And the March estimate lowers that by only 4,000, leaving it 1,313,000 metric tons?

Mr. NORTHRUP. That is right.

Mr. CASE. Why were no figures available on cotton?

Mr. NITZE. CEEC analyzed in a detailed manner a certain number of commodities including most of the food items. Then they had a

big category of miscellaneous import requirements in their estimates.

Mr. STEFAN. Say that again.

Mr. NITZE. They estimated in detail only a certain number of commodities.

Mr. STEFAN. Only a certain number of food commodities, was it not?

Mr. NITZE. No; not food commodities only. They did it for fuel, coal, and petroleum; they did it for timber. For the most important ones, they did.

Mr. CASE. Did not they ask for any cotton?

Mr. NITZE. In their estimate of requirements, there was a substantial item of miscellaneous requirements.

Mr. CASE. Did not you ask what the miscellaneous requirements were?

Mr. NITZE. My recollection is that we did. We sent them a telegram, got them over here, and talked to them about it, and finally these cotton figures were developed out of those conversations with them and their replies to supplemental questionnaires.

Mr. CASE. In the report of CEEC, were there any cotton figures whatsoever?

Mr. NORTHRUP. They did have. I can look it up for you, but within the miscellaneous category Mr. Nitze mentioned, my remembrance is they had a total over-all dollar figure, and that is all we had to start with one cotton.

Mr. CASE. In other words, the cotton item in here represents a mechanism simply for providing dollars; it does no represent a response to a specific request for a specific commodity?

Mr. NORTHRUP. I would not describe it that way at all, Mr. Case. As Mr. Nitze explained, cotton was one of the items they did not submit to us detailed statistics other than to indicate the total for a substantial "other import" category, that within that amount there would be X million dollars of cotton required.

Mr. CASE. It is reasonable to assume the things they were vitally concerned with they specified, and you have them set forth here in the CEEC estimates, but "miscellaneous" was used, I suppose, the way "miscellaneous" is generally used—as a sort of catch-all for items too numerous to mention, like an old auction sales bill which says "other articles too numerous to mention."

Mr. NORTHRUP. In our Department, we recognize very quickly that cotton was one of the most important items in the European economy.

Mr. CASE. I recognize we had some God-given powers to pass upon the availabilities that enable us to know more about their needs than these people knew about them themselves, but I want to know is it or is it not a fact that the CEEC estimates did not ask for cotton.

Mr. NORTHRUP. No; they did ask for cotton.

Mr. CASE. In what amount?

Mr. NORTHRUP. That we do not know. I thought I made clear that all they said about it was they pointed out there was a substantial number of million dollars involved of imports of cotton.

Mr. CASE. You are doing your best to convince me that "n. a.," instead of standing for "not available," stands for "not asked."

Mr. NORTHRUP. No, sir; it still stands for "not available."

Mr. CASE. What was the amount that CEEC asked for cotton?

Mr. NORTHRUP. Now, may I make an additional comment, trying to be helpful to you; in our judgment——

Mr. CASE. It would be helpful if you can show they asked for some cotton.

Mr. NITZE. I believe I have the portion of the report here, annex D, "Examination of imports and exports of goods not dealt with by technical committees and of invisible payments and receipts":

Estimates of imports and exports for goods not dealt with by a technical committee were made from replies to a special questionnaire. The principal figures as regards imports are as follows:

Total imports by participating countries (excluding their dependent territories) and western Germany of goods not dealt with by technical committees.

And cotton is not dealt with by the technical committees.

Mr. CASE. You said there were some commodities not dealt with by the technical committee. By whom were they dealt with?

Mr. NITZE. As I said, they were handled, first of all, in a special questionnaire, and, secondly, they were handled by conversations with representatives of CEEC who came over here for more precise discussion subsequently.

Mr. CASE. And that is your qualification of the estimates you are about to give us?

Mr. NITZE. That is correct.

Mr. CASE. What is the estimate?

Mr. NITZE. This estimate is simply the first figure that came back from this special questionnaire. On this figure there were subsequent technical discussions with the Department of Agriculture and with CEEC delegates. Their estimated requirements for cotton in millions of dollars are $716,000,000 in 1947 and $948,000,000 in 1948.

Mr. WIGGLESWORTH. That is dollars?

Mr. NITZE. That is in millions of United States dollars.

Mr. CASE. And what is the average weighted cost of cotton for that 1,313,000 tons you are proposing to send?

Mr. NITZE. $845.70 per metric ton.

I might also point out that the figures I have just read were from the CEEC reported imports from the Western Hemisphere, while this table you have before you, which the Department of Agriculture has submitted, I believe, refers to total imports from all sources.

Mr. DODD. That is correct.

Mr. CASE. I have very quickly multiplied this and am not sure of my figures, but leaving off the 70 cents, as I get it, that is $1,099,485,000, perhaps, as against a flow of $716,000,000 in 1947, and $900,000,000 in 1948. Is that correct? Have you figured out your total cost of cotton in dollars?

Dr. FITZGERALD. That is approximately correct.

Mr. CASE. That is $1,099,000,000 as compared with $716,000,000?

Mr. NITZE. No, sir. I believe you will find the total imports from the Western Hemisphere—do you want those in value or in tons?

Mr. CASE. Either way, just so we get comparative figures.

Mr. NITZE. In dollars, the total amount included in our estimates is $790,000,000. That is for a 15-month period. For a 12-month period, the figure is $605,000,000. That is a comparable figure to the amounts that they estimated as being required of $948,000,000.

Mr. CASE. Well, is this the import figure compared with the total supply figure; were those figures you gave us, for 1947 and 1948, consumption figures?

Mr. NITZE. No; those were the estimated requirements figures.

Mr. CASE. That is the same figure.

Mr. NITZE. That is the requirements from the Western Hemisphere.

Mr. CASE. And this last figure you gave us is what—ECA?

Mr. NITZE. This last figure is our estimate of the value in dollars of the total imports into the participating countries, whether ECA financed or not, from the Western Hemishere for the fiscal year 1948–49.

Mr. CASE. How much of that is ECA financed?

Mr. NITZE. The amount of that which is ECA-financed is $511,000,000 on an obligation basis. That would include some obligations which would go beyond the 12-month period—that would not be shipped until after the 12-month period.

Mr. CASE. What is the average weighted price per bale of cotton?

Mr. NITZE. I am afraid we do not have that here.

Mr. DODD. There are about 4.5 bales to the metric ton.

Mr. CASE. As I figure it, that would mean 5,908,000 bales of cotton or pretty close to 6,000,000 bales of cotton.

Mr. NORTHRUP. I can give you that figure. The total imports in bales would be 6,040,000 for the 1948–49 fiscal year.

Mr. CASE. 6,040,000 bales of cotton?

Mr. NORTHRUP. That is right—total imports.

Mr. CASE. And of that, how much is ECA-financed in terms of bales?

Mr. NORTHRUP. It would be about 2,250,000 bales.

QUESTION AS TO ACCURACY OF ESTIMATED REQUIREMENTS

Mr. CASE. Now that we have these figures and have this other testimony, what do you really mean when you say these are suggestions? Is there any need to proceed further with this if these are merely suggestions that are binding upon no one?

Mr. NITZE. May I comment on that?

Mr. CASE. I would like to have you comment on that.

Mr. NITZE. It is our feeling that the total requirements have been very carefully computed within availabilities, as carefully as the executive branch could so do. The figures which appear in column 1 of this thin brown book on pages 4 and 5, total shipments from the Western Hemisphere, those figures do represent as good an estimate as can be made of the requirements of those countries for a rehabilitation program within world availabilities as we now see them.

Mr. CASE. That is, this is an estimate prepared by the State Department as a suggestion?

Mr. NITZE. No; this is an estimate of the executive branch as to what the requirements, within availabilities during this 15-months period, would be.

Mr. CASE. Of the executive branch, and they are simply suggestions. To what extent will they be binding upon the Administrator of ECA?

Mr. NITZE. Those are not suggestions; those are estimates of what the requirements within availabilities will in fact be. Now, the portion which represents the illustrative distribution is in the next col-

umns, on pages 4 and 5, where an attempt has been made to give an illustrative pattern as to how those requirements might be financed.

Mr. WIGGLESWORTH. What columns?

Mr. NITZE. Columns 2, 3, 4, 5, and 6. The figure at the bottom of column 2, $4,468,000,000, we think represents as good an estimate as can now be made of the earnings which these countries will have from their exports and their shipping and other services. That figure, we think, is as good an estimate as can be made now.

Furthermore, the figure of $2,136,000,000 at the bottom of column 3 is as good an estimate as the executive branch could make as to the availability of dollars from sources other than the dollar earnings of the participating countries.

Mr. WIGGLESWORTH. But that is not much better than a wild guess, according to the testimony we had here the other day.

Mr. NITZE. It is as good an estimate as the executive branch could make.

Mr. STEFAN. That should be added to column 2, should it not, to get your total available request or income?

Mr. NITZE. Yes; the total of those two represents the aggregate dollars that the executive branch could foresee from other sources than ECA to meet that $13,000,000,000 requirements for a 15-month period. As to the exact way in which those dollars would be spent among the commodities, that, as I say, is an illustrative distribution. It might be the Administrator would finance more of one given item and less of another.

Mr. CASE. That is, for example, if the supply of sugar should become even more ample than was apparent in March and the supplies of grain should be less, you might supply the caloric value by providing more sugar; is that correct?

Mr. NITZE. That is correct.

Mr. CASE. And if you ran short on both grain and sugar and wanted to increase their production a little more, you might spend more money for tobacco; is that correct?

Mr. NITZE. That is correct. But there is a point beyond that. Even if the commodity movement were to go forward more or less as these estimates indicate, the Administrator might, for instance, very properly decide to finance a greater portion of the freight charges than was estimated. Here we have estimated he might finance only $22,000,000, but he might properly finance a greater percentage of the freight charges and less of the actual cost of the commodities involved.

Mr. CASE. Customarily, when we make appropriations, we make appropriations on the basis of estimates which contemplate pretty exact divisions of the funds. But here are you anticipating that we should make a lump-sum appropriation and leave it to the Administrator to spend as he pleases?

Mr. NITZE. We did not see any other way in which the taxpayers' dollars could be handled with the greatest efficiency except through that method.

Mr. CASE. Then the answer is "Yes"?

Mr. NITZE. The answer is "Yes."

(After discussion off the record.)

Mr. STEFAN. You might as well have the record show that these figures are not firm figures but are subject to change from time to

time, and what you have here is merely illustrative. You do not know what is going to happen, and you are asking us for blanket authority and to let the Administrator decide what he is going to provide—whether cotton, grain, or anything else.

Mr. DODD. I think that is right.

Mr. CASE. Is there any person here who represents the Administrator who can say to what extent he is satisfied with these figures as illustrative of what he might do?

Mr. CAWLEY. I believe I can reply to that question by referring to the Administrator's general remarks when he first appeared here, that he just had not had an opportunity to examine these submissions minutely and would have to rely upon them as the best that could be presented at this time.

Mr. CASE. I recall, Mr. Cawley, he also said he did not see any great urgency for this appropriation, because he had this billion dollars ready to go on. So the question comes to my mind whether or not we ought to proceed with the hearing on it or ought to report a bill until the Administrator has had a reasonable amount of time to get hold of the matter and see whether or not these illustrative figures are those that appeal to him as reasonable.

Mr. CAWLEY. As each day goes by, he is becoming more and more familiar with the problems in the ECA. It is my understanding he will come before this committee again before you conclude your hearings and at that time can give you a clearer picture of his method of procedure. But I am afraid if he came up here a month from now and presented these estimates or modifications of these estimates, at best they would still be highly tentative insofar as detailed breakdowns are concerned.

STATUS OF BUDGET AND ACCOUNTING SYSTEMS OF ECA

Mr. STEFAN. Right there; you are going to be the budget officer for ECA; are you not?

Mr. CAWLEY. Sir, I am only acting at the moment.

Mr. STEFAN. You are acting at the moment, but are you going to set up a separate budget for this, and how far have you studied these State Department figures and estimates?

Mr. CAWLEY. We have made studies——

Mr. STEFAN. Do you mean by that that you yourself have made studies?

Mr. CAWLEY. I have studied these estimates now before the committee.

Mr. STEFAN. Are you setting up a set of justifications now like you usually present when you present justifications for appropriation?

Mr. CAWLEY. No, sir; not for 1950. We feel we will have to wait until the crop results are more exact and other factors more clear before we can undertake the 1950 budget.

Mr. STEFAN. But, as budget officer, are not you setting up your books now?

Mr. CAWLEY. Yes; I am setting up the different items.

Mr. STEFAN. From this?

Mr. CAWLEY. Yes, sir; but not in any detail that can be submitted here at the moment. I have just made some broad distributions between administrative expenses and program expenses.

Mr. CASE. But not the detailed program?

Mr. CAWLEY. No, sir.

Mr. CASE. Under your program, you have not apportioned the amounts to the countries and commodities and the commodities within the countries?

Mr. CAWLEY. Not as yet.

Mr. CASE. Do you contemplate doing that?

Mr. CAWLEY. Eventually we will have to set up a complete detailed system of accounting showing the amounts allowed, not only by countries but by broad classification of commodities.

Mr. STEFAN. You already have $1,000,000,000 set up?

Mr. CAWLEY. Yes; we have set up about $800,000,000 of that.

Mr. STEFAN. That is already allowed?

Mr. CAWLEY. That is in ECA's hands. Out of that, we have set aside as of a few days ago about $80,000,000 for the procurement of food.

Mr. STEFAN. And as this other money comes in, you are going to fit it into the billion-dollar program as now set up?

Mr. CAWLEY. Yes, sir. There is another matter I would like to mention. This is a program where all of the facts have to be on the table all the time. We are certainly going to supply this committee, and any other committee of Congress which desires information, complete detailed monthly reports on all of our operations.

DISCUSSION OF NEED FOR MORE DEFINITE INFORMATION ON ECA REQUIREMENTS

Mr. CASE. Mr. Chairman, it seems to me the real basic question here is if the committee is prepared to accept the idea that we are going to make a lump-sum appropriation to be expended as the Administrator chooses in all respects, then more or less a general answer can be given by the committee; but, if that is the case, I do not see why we should dig into all of this detail stuff unless digging into it means something. If this is just a suggestion to the Administrator that he has not yet considered and he is not going to be bound by after the record is made and it is not even advisory but is merely in the nature of a very tentative suggestion, then it seems to me we are putting in an awful lot of time here to no purpose.

Mr. STEFAN. I agree with the gentleman.

Mr. CASE. If, however, the committee intends to allocate either to countries or commodities or to some general classifications or to set some maximum limits, then this information we are getting has some value.

The CHAIRMAN. Well, I do not know. We have to approach this thing so that we have some kind of basis to operate on, or else we have to throw the thing into a pile and go into it in just the same sort of way that we went into it with WPA and NRA and the rest of those things that turned out to be rackets. I do not want to get into that picure, if we can possibly avoid it. I want to know what I am doing, if I can. Maybe we ought not to consider it at all.

Mr. STEFAN. These figures are not firm; there is nothing to them.

The CHAIRMAN. I appreciate that, and whether we have to make them firm or to try that other operation, I do not know. But I wanted

to get at it so that I could have some idea as to whether there had been an intelligent approach to the program.

Mr. STEFAN. As I view it, these figures are merely a guide and a work sheet for the Administrator.

The CHAIRMAN. Perhaps they are that, but when we got into this table I asked for, if they had not the other, we found those major factors which anyone would have to have in working out a program had not been considered at all.

Mr. CASE. I should like to have some indication from the Administrator tht he thinks these figures mean something.

The CHAIRMAN. We must have something of that kind to go on if we are going to try to calculate the amount that ought to be appropriated. Otherwise we will be just making an allocation and delegating the authority to the Administrator to handle it.

Mr. STEFAN. The answer is that that is what you are doing.

The CHAIRMAN. That is what we are doing unless we make the allocation ourselves and put a limitation on it. That is why I have been going over this with the idea of trying to find out what we could do. Perhaps we cannot find out; perhaps it is impossible to come anywhere near it; I do not know. Maybe we cannot do anything about it. Frankly, I want to know, if it is possible to find out, so that we will know what we are doing. Maybe we cannot, but still I am going to try a little while longer.

Mr. STEFAN. May I ask a question there, Mr. Chairman.

The CHAIRMAN. Yes.

Mr. STEFAN. As I understand the CEEC at their Paris meeting set up these requirements for these 16 countries; is that correct?

Mr. DODD. That is correct.

Mr. STEFAN. The State Department sat in on the making up of the program, and with the assistance of other departments of the Government, decided upon availabilities.

Mr. DODD. That is one point that I would like to stress, Mr. Congressman, that the Department of Agriculture's work was largely on the question of availabilities. And I think our work is about as good as can be done on that subject.

Mr. STEFAN. The State Department got their figures from the various other departments of the Government. There were figures on availabilities, plus the requests made for the 16 countries as to what we were to furnish those countries, plus what they could get from their own sources and from other sources. Those were their work sheets and what you are giving us is a result of those work sheets. The information that we are asking for is information which the Administrator needs to set up his program, but he has not set up his program yet. We cannot make appropriations on the basis of these work sheets, which are only a guide to the Administrator, Mr. Hoffman. As I understand, Mr. Cawley, the Acting Budget Director, is working on $1,000,000,000 now, of which he has $65,000,000 allocated.

Mr. CAWLEY. About $80,000,000, sir.

Mr. STEFAN. And of which $800,000,000 is already set up in a certain program?

Mr. CAWLEY. $800,000,000 has been transferred to the ECA.

Mr. STEFAN. That is what I mean. I do not see how we can make appropriations on the basis of these work sheets of the State Depart-

ment, because we must make appropriations on the basis of requests of the Administrator to whom the information is furnished. Of course, if we put limitations on it, that is another story. But we have got to get the final story from the Administrator. The State Department is through with this program now, is it not?

Mr. NITZE. That is correct.

Mr. STEFAN. And this information which you have submitted is information which you have gathered over a period of a year or a year and a half, or 2 years.

Mr. NITZE. I think these figures do give a great deal of information as to the requirements of the participating countries.

Mr. CASE. I have not any doubt that the State Department thinks that they do, but I would like to have some indication from the Administrator that he thinks so.

Mr. WIGGLESWORTH. Let me ask you a few questions, Mr. Nitze. Let us turn to tables D4 and D6 in the justifications. You tell us that the figure at the bottom of column 1 is a fair figure. You tell us first that in the judgment of the State Department and the other departments of Government, $13,565,300,000 is a figure which fairly represents the needs of these 16 countries.

What are you going to give this committee to satisfy it that the conclusion of the executive branch of the Government is well taken?

Mr. NITZE. That is what was attempted to be done in this manual of justifications.

Mr. WIGGLESWORTH. First there is the element of this needs of these 16 countries?

Mr. NITZE. That is correct.

Mr. WIGGLESWORTH. And secondly there is the all-important element from the point of view of America, namely, availability.

Mr. NITZE. That is correct.

NEED FOR MORE COMPLETE INFORMATION ON REQUIREMENTS AND AVAILABILITY OF COMMODITIES FOR PROGRAM

Mr. WIGGLESWORTH. Maybe you have it, but I have not personally seen as yet any satisfactory evidence presented to this committee to satisfy it, item by item, that the program contemplated is sound from either standpoint.

Now, in column 2 are listed dollar earnings for each of the 16 countries: the earnings you think each can develop. The figures total $4,468,500,000. They may be right, they may be wrong. I do not know how the figures in this column have been determined. From the standpoint of this committee and the Congress it seems to me there ought to be proper evidence to tie these figures down.

In column 3 you tell us that 2,136.8 million dollars is the best estimate the executive branch can make in terms of loans and credits available from sources other than ECA. It may be the best estimate, but such testimony as we had on it the other day indicates that it is—to my mind, anyway—not much better than a guess, off the cuff.

These are four fundamental elements in the picture from my standpoint. The one that we have just spoken about does not worry me so much. But I do think the committee and the Congress ought to

be satisfied on the four points that I have just outlined by satisfactory evidence submitted from the executive branch of Government. Personally, to date, I have not seen that evidence.

Mr. NITZE. There is material on both requirements and availabilities with respect to each category, in the manual of justifications.

Mr. WIGGLESWORTH. It is for the most part very general. I have been through it.

Mr. NITZE. If you want additional information it will be forthcoming along the lines which you requested on Friday.

Mr. WIGGLESWORTH. You will not have it available until Friday?

Mr. NITZE. No; information that you requested last Friday.

Mr. WIGGLESWORTH. When will that be available?

Mr. NORTHRUP. Either this afternoon or tomorrow morning. The chairman asked for it by Tuesday morning. We will have it not later than then. That is the table that you asked for. It is nearly completed.

Mr. WIGGLESWORTH. It seems to me that it ought to be reasonably simple to present to this committee: First, a justification, country by country, to satisfy the committee that the items that you list in column 1, which you tell us are firm are in fact needed; second, to submit in any case the figures that may be safely made available from the standpoint of this country; third, to satisfy us, country by country, as to the dollar earnings that they themselves can realize wholly apart from ECA; and fourth, as to the loans and credits that can be hoped for, apart from this program. These factors are basic to the whole consideration, it seems to me.

Mr. DODD. Would you like to have something further on availabilities?

Mr. WIGGLESWORTH. I do not know what you have got. You have not presented it yet.

Mr. DODD. The chairman asked for that information on total production, total exports from other areas of the world and our own consumption.

Mr. WIGGLESWORTH. I want to see it. We do not have it. It is not before the committee. The only testimony we have in that regard is with respect to coal and with respect to oil, which we obtained here across the table the other day. There are 50 items here, some of them pretty important and I, for one, when I go onto the floor of the House, want to know where I am in terms of availability, commodity by commodity, where the commodities have any importance.

I do not see how you can expect this committee to carry through any proposal unless they have that information in hand. We tried to get this information from department after department when we had the interim-aid bill up, with a total lack of success.

The CHAIRMAN. Does anybody in the Government know anything at all as to what the actual proposal is? I have tried to get at the facts. I do not know whether you people do not want to give them to us or whether you cannot or whether there is not any basis for this. I am just in that frame of mind; I am terribly disappointed at the picture that has been presented so far. I voted for this bill on the floor, believing that you must have had some basis for it. I am frank to say I am disappointed. When we get down specifically to something, I do not seem to be able to find the basis on which you have worked,

and on which I could justify a presentation on the floor of the House. I should hope that sometime we will be able to get it—but I do not know. Perhaps we started these hearings before you could be ready. Maybe we ought to approach this some other way. I do not know whether you people have anything to suggest on that or not.

Mr. NITZE. Our suggestion was that we go through first with coal and petroleum.

The CHAIRMAN. We have done that.

Mr. NITZE. And then with the food items.

The CHAIRMAN. We have tried to do that and we have gone a long ways, but when an item comes up that looks a little bit peculiar, it seems to result in an impasse.

Mr. CASE. At that point we are told that these are merely suggestive, they do not mean anything. That is what bothers me. If Mr. Hoffman were to come up here and say that he is adopting these figures, that these are his figures, that would be a different matter.

The CHAIRMAN. Or that he has some figures.

Mr. CASE. Then we would know that there was a relationship there to what we are being asked to appropriate.

Mr. STEFAN. He does not know, because he has not studied it yet.

(Discussion off the record.)

The CHAIRMAN. It does not seem that the committees or the departments or the agencies had any firm basis for anything in this connection.

Mr. DODD. We thought we had a firm basis for the availabilities. We thought this table would give you what you wanted to know. You indicated you would like to have the imports into the country as well as the exports.

Mr. WIGGLESWORTH. When did you make this up?

Mr. DODD. Table A was made up 2 or 3 weeks ago.

The CHAIRMAN. You did not have anything like that before the Foreign Affairs Committe, did you?

Mr. NORTHRUP. Yes. we had one almost exactly like this, Mr. Chairman.

The CHAIRMAN. You did not have anything like this break-down [indicating tables] before the Foreign Affairs Committee. At least, it was not put in the record, if you did.

Mr. NORTHRUP. The same information in different form was before them.

The CHAIRMAN. I tried to find it, but I could not find it in the hearings. I had some people go through them and they could not find it.

Mr. NORTHRUP. I should be very glad to furnish you for your record a copy of the tables that we submitted.

Mr. DODD. That is a copy of the table given to the Senate committee.

The CHAIRMAN. That is a summary of the whole picture?

Mr. DODD. That is the table which I gave you yesterday, brought up to date. For grains it is now 475 million instead of 400 million, which was the figure before the Senate committee, because the availabilities of grains in this country are greater now.

Fats and Oils

The Chairman. I am going to take up this subject of fats and oils now.

Mr. Mahon. I was wondering if the relationship might be so close between the oil cake and meal that they ought to be handled together. Oil cake and meal are a product of fats and oils, I presume.

The Chairman. The oil cake and meal are more animal foods, are they not?

Mr. Dodd. That is correct.

Mr. Mahon. Food for livestock?

The Chairman. Yes. That is why I did not throw them together. The fats and oils, as such, are either for soaps or human consumption?

Mr. Dodd. That is correct.

The Chairman. That is why I did not try to throw them together.

REQUIREMENTS FOR DENMARK

Take Denmark, for instance. You have ECA-financed shipments of 10,500 metric tons whereas they have a domestic production that would indicate a very large export item and imports of 61,000 tons. That indicates an export item of just about the same amount as the availability. It shows an available supply of just about the amount that they had last year and better than the year before. Why would they have to import so much of their fats and oils? And why is it that we would have to pay for it? There has been no picture with respect to them of their agricultural production being down as compared with prewar?

Mr. Northrop. You know that prewar they imported. They never have been self-sufficient on fats and oils. Prewar they imported 178,000 tons. This total import for next year only shows 61,000.

Mr. Nitze. Is it not a question of a difference in the composition of the fats and oils? They export butter and import cheaper fats and oils.

Mr. Dodd. Yes. They also import oils for industrial uses and cheaper food uses.

figure than 1946.

The Chairman. Their domestic production is down at a lower

Mr. Dodd. That is correct, because of the drought last year and the terrific winter kill, when they lost a lot of their pastures in 1947–48.

The Chairman. You say they lost a lot of their pastures?

Mr. Dodd. They were completely killed out because of the drought followed by the extremely cold winter. That same condition was true of several other European countries.

The Chairman. You mean that their pasture was killed so that it could not come back?

Mr. Dodd. It did not come back and they had to reseed last year.

The Chairman. The ground was not covered with snow at all?

Mr. Dodd. No. They had an extreme drought before the winter came and then it was not covered with snow and they had an extremely cold winter. That is what caused the largest winter kill in Europe in 50 years.

The Chairman. It would hardly seem as though they ought to be so badly off as to require any help on that.

REQUIREMENTS FOR FRANCE

Take France: For France you have 397,000 tons of imports, which is only about two-thirds of prewar, but considerably more than last year and the year before. Their production is below prewar, but is estimated at a little above the 1946 and 1947 figures.

Mr. NORTHRUP. That is correct.

The CHAIRMAN. Perhaps those figures are not higher than they ought to be; I do not know.

Mr. NORTHRUP. I think they are pretty conservative.

The CHAIRMAN. Comparatively speaking, I would say they were.

REQUIREMENTS FOR GREECE

Take Greece: They ought not to have to import fats and oils, with their production of olive oil the way it was running.

Mr. NORTHRUP. Their imports are very substantially industrial. I would like to point out that their estimated imports are only 8,000 tons.

The CHAIRMAN. I know, but it looks as though you were reaching in where it was not necessary, there.

I do not know why Ireland has to be an importing country, either.

REQUIREMENTS FOR ITALY

For Italy, olive oil is a very large item in their general production and they ought not to have to import a great deal of fats, even if they did prewar.

Mr. NORTHRUP. That is industrial oils, again.

The CHAIRMAN. What kind of oils would those be?

Mr. NORTHRUP. Mostly linseed oil, coconut oil, and tallow, I believe, Mr. Chairman.

The CHAIRMAN. For oleo?

Mr. NORTHRUP. In that case, probably not.

The CHAIRMAN. You mean that this would cover oils that would be used for paints, as well as other uses?

Mr. NORTHRUP. It is all industrial oil.

Mr. DODD. Including soap.

The CHAIRMAN. Do they not use olive oil for soap?

Mr. DODD. They probably can sell the olive oil, if it is good quality, for more money than they pay for the other oil.

The CHAIRMAN. You have them down for not so very much of imports.

Mr. NORTHRUP. They do export considerably.

The CHAIRMAN. Olive oil?

Mr. NORTHRUP. That is right, mostly olive oil.

Mr. DODD. That is true of Greece also; yes, sir.

REQUIREMENTS FOR THE NETHERLANDS

The CHAIRMAN. Netherlands, with approximately the same population as Belgium, you have down for 20 percent more fats. It is perhaps a little more than 20 percent. It is quite a considerable increase over last year. Their domestic production seems to be away below prewar and that is not stepping up at all.

Mr. DODD. I would like to ask Dr. Fitzgerald if that is not generally because of the copra in the Netherlands East Indies.

Dr. FITZGERALD. On the question of fats and oils for the Netherlands, the domestic production is down and will be down next year primarily because of a lack of feed for livestock. They were the second largest importer of grains and oil cake and meal for livestock, before the war.

The CHAIRMAN. Do they not get a lot of coconut oil from their possessions?

Dr. FITZGERALD. We estimate that the production of copra in the Netherlands East Indies in the coming year will be around 200,000 tons of which a major portion is represented in the 182,000 tons which is shown here as total imports.

The CHAIRMAN. That is the type of oil that is used for soaps and that sort of thing, is it?

Dr. FITZGERALD. It can be used for food purposes, too, and is used in Denmark for oleomargarine and related food products.

The CHAIRMAN. Is it used that way in the Netherlands, too?

Dr. FITZGERALD. Yes, sir.

Mr. NORTHROP. At least a little over one-half of that 172,000 of imports is from their own dependent territories.

The CHAIRMAN. It would seem that that was a large figure. You have them up, for available supply, to a figure away above Belgium's and higher than Denmark's figure and higher than most anybody else's.

Dr. FITZGERALD. The Netherlands population is about 15 percent above the Belgium population and on a per capita basis there is very little difference between the 242 available supply for the Netherlands and the 197 available supply for Belgium-Luxemburg.

The CHAIRMAN. What are the comparative populations?

Mr. NORTHROP. Nine million six hundred thousand for the Netherlands.

Dr. FITZGERALD. Eight million seven hundred thousand for Belgium-Luxemburg.

The CHAIRMAN. The comparison would be 8,500,000 as against 9,076,000 or about 7 percent difference. The Netherlands would have 7 percent more on that basis. So it would seem that you had calculated that rather high.

REQUIREMENTS FOR NORWAY

Take Norway: Her available supply is given as 90,000 tons prewar and 93,000 tons now. The imports, however, are down. I do not understand that, because their production is a great deal larger than their consumption.

Dr. FITZGERALD. I think I can explain that. These Norway figures show 39,000 imports next year, a production of 189,000 and exports of 135,000. That will give you your supply figure. They are big exporters.

The CHAIRMAN. But they exported a great deal more in the prewar period and the balance remaining is down to a higher figure than they had prewar, higher probably than they have ever had; I do not know.

That is a country, probably, that has been accustomed to using as much as they wanted in the prewar period and yet we are boosting the figure above the prewar figure. At least, that is the usual practice in a country where you are gaging the consumption of an export commodity.

REQUIREMENTS FOR PORTUGAL

Take Portugal: You have them practically on a prewar basis. Last year you had them away above the prewar basis, with 35,000 tons of imports as against 27,000 prewar.

Mr. NORTHRUP. The total supply is less than prewar, by a little bit.

The CHAIRMAN. What is the population of Portugal?

Mr. NORTHRUP. For 1947, 8,100,000.

Dr. FITZGERALD. Mr. Chairman, there is this observation to be made on all these figures. Almost all these European countries, with the exception of France, have around a 10-percent larger population than they had before the war. And that fact needs to be kept in mind when comparing the 1948–49 figures.

The CHAIRMAN. France has a smaller population?

Dr. FITZGERALD. France's is just about the same population as prewar.

The CHAIRMAN. What is that?

Dr. FITZGERALD. Around 41,000,000.

Mr. WIGGLESWORTH. Forty-one million four hundred thousand is the figure they gave us.

Mr. NORTHRUP. Prewar it was 41,900,000.

REQUIREMENTS FOR SWEDEN

The CHAIRMAN. For Sweden you do not have such a large figure. What is their population?

Mr. WIGGLESWORTH. Seven million.

The CHAIRMAN. I understood that Sweden was not on the ECA list at the present time, is that right?

Mr. NITZE. Sweden is on the list.

The CHAIRMAN. Switzerland is not on the ECA list presently, is it?

Mr. NITZE. No; it is one of the 16 countries, but it is not proposed that any ECA shipments go to Switzerland.

Mr. MAHON. I think that is what the chairman had in mind in reference to Sweden. It is not on the list to receive dollars but it is among the 16 countries.

Mr. WIGGLESWORTH. It receives aid.

Mr. MAHON. Yes; it receives some aid.

Mr. NITZE. That is correct.

The CHAIRMAN. For Switzerland, you have a figure about the same as prewar for imports of fats and oils and a lower production rate. It would seem that they ought to be able to keep up their production rate. They have not had any conditions to justify its going down.

Mr. NORTHRUP. They are going up over last year on these estimates.

The CHAIRMAN. Only a little and not up to prewar.

Mr. NITZE. Is not that a question of feedstuffs?

Mr. DODD. Yes; they had a bad summer last year. Historically they have been large importers of feedstuffs. Their animal population decreased because they did not have the feed.

REQUIREMENTS FOR TURKEY

The CHAIRMAN. For Turkey the figure is small. It is above prewar. It seems to be what was sent in last year. As far as Turkey goes, I do not think we ought to be sending so much stuff there that they cannot get through the ports. Last fall their ports were so jammed it took quite a while for the stuff to get through. We ought to figure on having the slack taken up over there. It may be that they need that small amount of fats, but the other situation ought to be taken care of.

Mr. NORTHRUP. Their exports are estimated next year at 10,000 tons.

The CHAIRMAN. I know, as against imports of 3,000. But they did not import anything prewar. And the stuff is not going through their ports very fast. The vessels are jammed and unable to unload.

REQUIREMENTS FOR UNITED KINGDOM

Take the United Kingdom: They are not up to their prewar figure in your estimates for next year. That is either for imports or otherwise. Their production is a little bit above. That is, with a small amount in that particular instance going into ECA, the way you have it allocated.

REQUIREMENTS FOR WESTERN GERMANY

Western Germany has a large import item. Where does that come from? Is that supposed to be financed by the War Department agency?

Mr. NITZE. It is anticipated that it will be entirely financed by GARIOA by War Department appropritions. With respect to the French zone and the Saar it is estimated that some requirements like ECA would be necessary.

The CHAIRMAN. Is this set-up here all French zone?

Mr. DODD. Bizonal.

Mr. NITZE. The figure for ECA-financed shipments is entirely for the French zone. The figures for 1948–49 are for bizonal, French zone and the Saar combined.

Mr. NORTHRUP. We could break that down for you for 1948–49.

The CHAIRMAN. I gathered that there was nothing in here for bizone, in this budget.

Mr. NITZE. That is correct.

The CHAIRMAN. How much of that is for the other set-up, I do not know.

Colonel BLUMENFELD. All of the fats and oils for bizone are coming from Government and relief in occupied areas appropriation, but it is included in the over-all imports here of the ECA program.

The CHAIRMAN. How much is it? Do you know?

Colonel BLUMENFELD. Yes, sir; this is on a 15-month basis. It is actually, approximately, $42,000,000 on a 15-month basis, sir.

The CHAIRMAN. It is $42,000,000?

Colonel BLUMENFELD. Yes; for fats and oils, in the bizone of Germany. That appears on page 38 of the thin brown book.

The CHAIRMAN. On what page?

Colonel BLUMENFELD. Page 38.

The CHAIRMAN. You have down here $42,000,000, plus, loans and credits. That means GARIOA?

Colonel BLUMENFELD. Yes; in the case of Germany that is GARIOA.

The CHAIRMAN. I think that is all I have on fats and oils.

TUESDAY, APRIL 27, 1948.

BREAK-DOWN OF UNITED STATES STOCKS, PRODUCTION, IMPORTS, TOTAL SUPPLY AND EXPORTS OF AGRICULTURAL COMMODITIES

Mr. DODD. Mr. Chairman, I have brought with me the tables which you asked to have prepared.

The first is the break-down of stocks, production, imports, total supply and exports of agricultural commodities for United States for specified periods.

(The matter referred to is as follows:)

TABLE 3.—*Stocks, production, imports, total supply and exports of agricultural commodities for the United States, for specified periods*

Commodity and unit	Year	Carry-in stocks		Production	Imports [1]	Total supply	Domestic disappearance	Exports [1]				Carry-out stocks	
								Total all countries		Total ECA countries (except DOT)			
		July 1 [2]	Jan. 1					Quantity	As percent of supply	Quantity	As percent of total exports	June 30	Dec. 31
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
01 Bread grains (million bushels)	Estimated, 1948-49	178	----------	1,163	0	1,341	789	[3] 379	28.3	[3] 240	63.3	173	----------
	Estimated 1947-48	86	----------	1,391	0	1,477	811	488	33.0	336	68.9	178	----------
(Rough estimates 1948-49)	1946-47	102	----------	1,172	2	1,276	789	401	31.4	237	59.1	86	----------
	Prewar [4]	171	----------	756	21	948	725	51	5.4	[5] 3	5.9	172	----------
02 Coarse grains (million bushels)	Estimated, 1948-49	650	----------	4,766	2	5,418	4,428	[3] 100	1.8	[3] 50	50.0	890	----------
	Estimated, 1947-48	1,049	----------	3,992	2	5,043	4,300	[6] 93	1.8	45	48.4	650	----------
(Rough estimates 1948-49)	1946-47	883	----------	5,117	6	6,006	4,779	[6] 178	3.0	103	57.9	1,049	----------
	Prewar [4]	585	----------	3,307	49	3,941	3,217	53	1.3	[5] 29	54.7	671	----------
Total grains (million bushels)	Estimated, 1948-49	828	----------	5,929	2	6,759	5,217	479	7.1	290	[7] 60.5	1,063	----------
	Estimated, 1947-48	1,135	----------	5,383	2	6,520	5,111	581	8.9	381	[7] 65.6	828	----------
	1946-47	985	----------	6,289	8	7,282	5,568	579	8.0	340	[7] 58.7	1,135	----------
	Prewar [4]	756	----------	4,063	70	4,889	3,942	104	2.1	[5] 32	[7] 30.8	843	----------
Total grains (thousand short tons).	Estimated, 1948-49	21,215	----------	150,709	40	171,964	131,316	13,903	8.1	8,427	[7] 60.6	26,745	----------
	Estimated, 1947-48	28,412	----------	137,750	44	166,206	128,058	16,933	10.2	11,134	[7] 65.8	21,215	----------
	1946-47	24,041	----------	159,377	196	183,614	138,561	16,641	9.1	9,785	[7] 58.8	28,412	----------
	Prewar [4]	19,451	----------	102,821	1,899	124,171	99,544	2,910	2.3	[5] 811	[7] 27.9	21,717	----------
03 Fats and oils (including butter, million pounds.)[8]	Estimated, 1948-49	1,600	----------	9,600	1,150	12,350	10,105	645	5.2	256	39.7	1,600	----------
	Estimated, 1947-48	1,730	----------	9,950	1,150	12,830	10,255	975	7.6	500	51.3	1,600	----------
	1946-47	1,455	----------	9,475	1,271	12,201	9,705	766	6.3	284	37.1	1,730	----------
	Prewar [9]	(2,198)	2,269	8,239	1,971	12,482	9,647	479	3.8	219	45.7	----------	2,356
04 Oilcake and meal (thousand short tons).	Estimated, 1948-49	(10)	----------	6,500	15	6,515	6,311	204	3.1	166	81.4	(10)	----------
	Estimated, 1947-48	(10)	----------	6,410	15	6,425	6,318	107	1.7	53	49.5	(10)	----------
	1946-47	(10)	----------	6,157	29	6,186	6,018	168	2.7	143	85.1	(10)	----------
	Prewar [11]	(10)	----------	3,531	109	3,640	3,341	299	8.2	280	93.6	(10)	----------
05 Sugar, beet and cane (raw basis, thousand short tons).	Estimated, 1948-49	[12] 1,125	----------	2,200	5,550	8,875	7,500	250	2.8	204	81.6	1,125	----------
	Estimated, 1947-48	[12] 1,147	----------	2,200	5,675	9,022	7,762	135	1.5	85	63.0	1,125	----------
	1946-47	[12] 964	----------	1,965	4,820	7,749	6,307	295	3.8	197	66.8	1,147	----------
	Prewar [4]	[12] 1,468	----------	1,844	4,759	8,071	6,348	114	1.4	66	57.9	1,609	----------
06 Meat (including offal, million pounds).[13]	Estimated, 1948-49	800	----------	22,500	200	23,500	22,700	150	.6	0	0	650	----------
	Estimated, 1947-48	548	----------	23,981	160	24,689	23,629	260	1.1	0	0	800	----------
	1946-47	379	----------	24,545	19	24,943	23,997	488	2.0	235	48.2	548	----------
	Prewar [14]	(591)	715	17,301	262	18,278	17,406	221	1.2	84	38.0	----------	651
07 Horsemeat (million pounds)[15]	Estimated, 1948-49	(16)	----------	180	0	180	80	100	55.6	100	100.0	(16)	----------
	Estimated, 1947-48	(16)	----------	170	0	170	90	80	47.1	80	100.0	(16)	----------
	1946-47	(16)	----------	195	0	195	70	125	64.1	51	40.8	(16)	----------
	Prewar [14]	0	----------	11	0	11	9	2	18.2	2	100.0	0	----------

See footnotes at end of table, p. 387.

TABLE 3.—*Stocks, production, imports, total supply and exports of agricultural commodities for the United States, for specified periods*—Con.

Commodity and unit	Year	Carry-in stocks		Production	Imports [1]	Total supply	Domestic disappearance	Exports [1]				Carry-out stocks	
								Total all countries		Total ECA countries (except DOT)			
		July 1 [2]	Jan. 1					Quantity	As percent of supply	Quantity	As percent of total exports	June 30	Dec. 31
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
07 Dairy products, total (million pounds).	Estimated, 1948–49	820	--------	5,470	10	6,300	4,173	1,310	20.8	826	63.1	817	--------
	Estimated, 1947–48	836	--------	5,470	12	6,318	4,315	1,183	18.7	720	60.9	820	--------
	1946–47	614	--------	5,571	15	6,200	4,172	1,192	19.2	712	59.7	836	--------
	Prewar [14]	(397)	312	3,156	65	3,533	3,146	71	2.0	[17] 1.5	2.1	--------	316
Cheese (million pounds)	Estimated, 1948–49	147	--------	1,200	10	1,357	1,000	210	15.5	198	94.3	147	--------
	Estimated, 1947–48	160	--------	1,175	12	1,347	1,020	180	13.4	170	94.4	147	--------
	1946–47	143	--------	1,203	15	1,361	1,041	160	11.8	142	88.8	160	--------
	Prewar [14]	(96)	107	669	57	833	720	5	.6	[17] 0	0	--------	108
Processed milk (million pounds).[18]	Estimated, 1948–49	673	--------	4,270	0	4,943	3,173	1,100	22.3	628	57.1	670	--------
	Estiated, 1947–48	676	--------	4,295	0	4,971	3,295	1,003	20.2	550	54.8	673	--------
	1946–47	471	--------	4,368	0	4,839	3,131	1,032	21.3	570	55.2	676	--------
	Prewar [14]	(301)	205	2,487	8	2,700	2,426	66	2.4	[17] 1.5	2.3	--------	208
08 Eggs, shell equivalent (million pounds).	Estimated 1948–49	518	--------	7,275	4	7,797	7,168	154	2.0	68	44.2	475	--------
	Estimated, 1947–48	652	--------	7,425	0	8,077	7,239	320	4.0	265	82.8	518	--------
	1946–47	813	--------	7,502	1	8,316	7,111	553	6.6	353	63.8	652	--------
	Prewar [14]	(527)	117	5,002	27	5,146	5,026	3	.1	([10] [17])	([10])	--------	117
09 Dried fruits (thousand short tons)	Estimated, 1948–49	64	--------	500	40	604	446	140	23.2	134	95.7	18	--------
	Estimated, 1947–48	56	--------	602	22	680	433	183	26.9	162	88.5	64	--------
	1946–47	54	--------	510	24	588	392	140	23.8	97	69.3	56	--------
	Prewar [19]	138	--------	556	31	725	369	204	28.1	[17] 156	76.5	152	--------
10 Rice, milled (1,000 100-pound bags).	Estimated, 1948–49	200	--------	23,000	0	23,200	11,600	11,400	49.1	419	3.7	200	--------
	Estimated, 1947–48	610	--------	24,050	0	24,660	12,348	12,112	49.1	170	1.4	200	--------
	1946–47	480	--------	22,074	0	22,554	10,455	11,489	50.9	13	.1	610	--------
	Prewar [20]	1,260	--------	13,399	165	14,824	8,492	4,956	33.4	[14] 477	9.6	1,376	--------
11 Pulses, cleaned basis (million pounds).	Estimated, 1948–49	150	--------	2,100	60	2,310	1,650	560	24.2	437	78.0	100	--------
	Estimated, 1947–48	209	--------	2,179	39	2,427	1,727	550	22.7	387	70.4	150	--------
	1946–47	151	--------	2,152	19	2,322	1,611	502	21.6	202	40.2	209	--------
	Prewar [21]	270	--------	1,590	41	1,901	1,489	88	4.6	([10])	([10])	324	--------
12 Fresh fruits, farm weight (million pounds).	Estimated, 1948–49	0	--------	20,500	3,700	24,200	22,800	1,400	5.8	743	53.1	0	--------
	Estimated, 1947–48	0	--------	19,000	3,500	22,500	21,400	1,100	4.9	180	16.4	0	--------
	1946–47	47	--------	19,064	3,180	22,291	20,857	1,434	6.4	420	29.3	0	--------
	Prewar [14]	(0)	1,387	16,101	3,127	20,615	17,974	1,259	6.1	[17] 684	54.3	--------	1,382
13 Tobacco (farm sales, weight, million pounds).	Estimated, 1948–49	3,407	--------	1,700	120	5,227	1,500	595	11.4	500	84.0	3,132	--------
	Estimated 1947–48	3,106	--------	2,168	120	5,394	1,500	487	9.0	380	78.0	3,407	--------
	1946–47	2,767	--------	2,319	127	5,213	1,438	669	12.8	496	74.1	3,106	--------
	Prewar [4]	2,404	--------	1,301	104	3,809	922	491	12.9	361	73.5	2,396	--------

14 Cotton (1,000 running bales)	Estimated 1948–49 [22]	2,755	---------	12,000	250	15,005	8,500	3,500	23.3	2,397	68.5	3,005	---------
	Estimated 1947–48 [22]	2,530	---------	11,525	250	14,305	9,050	[22] 2,500	17.5	[23] 1,170	46.8	2,755	---------
	1946–47 [22]	7,326	---------	8,574	270	16,170	10,095	3,545	21.9	1,898	53.5	2,530	---------
	Prewar [22]	8,337	---------	12,873	185	21,395	6,995	5,306	24.8	2,727	51.4	9,094	---------
15 Nitrogen (N), (thousand metric tons):													
A. Commercial	Estimated 1948–49	(24)	---------	640	[25] 170	810	755	[25] 55	6.8	23	41.8	(24)	---------
	Estimated 1947–48	(24)	---------	626	170	796	741	55	6.9	23	41.8	(24)	---------
	1946–47	(24)	---------	603	169	772	711	61	7.9	25	41.0	(24)	---------
	Prewar [14]	(24)	---------	195	179	374	337	37	9.9	7	18.9	(24)	---------
B. Army	Estimated 1948–49	(24)	---------	244	0	244	0	244	100.0	47	19.3	(24)	---------
	Estimated 1947–48	(24)	---------	230	0	230	0	230	100.0	47	20.4	(24)	---------
	1946–47	(24)	---------	95	0	95	0	95	100.0	26	27.4	(24)	---------
	Prewar [14]	(24)	---------	0	0	0	0	0	0	0	0	(24)	---------
16 Soluble phosphate (P205) (thousand metric tons).	Estimated, 1948–49	(24)	---------	1,814	23	1,837	1,769	68	4.0	0	0	(24)	---------
	Estimated, 1947–48	(24)	---------	1,733	27	1,760	1,679	81	5.0	(10)	(10)	(24)	---------
	1946–47	(24)	---------	1,608	36	1,644	1,583	61	4.0	(10)	(10)	(24)	---------
	Prewar [14]	(24)	---------	654	26	680	652	28	4.3	(10)	(10)	(24)	---------
17 Potash (K_2O) (thousand metric tons).	Estimated 1948–49	(24)	---------	925	23	948	894	54	5.8	0	0	(24)	---------
	Estimated, 1947–48	(24)	---------	857	15	872	817	55	6.8	0	0	(24)	---------
	1946–47	(24)	---------	813	14	827	775	52	6.7	0	0	(24)	---------
	Prewar [14]	(24)	---------	210	190	400	341	59	17.4	0	0	(24)	---------
22 Timber (million board feet) [26]	Estimated, 1948 [27]	---------	8,900	38,000	1,400	48,300	37,200	1,400	2.9	686	49.0	---------	9,700
	1947 [27]	---------	6,790	[28] 38,000	1,315	46,105	[28] 35,854	1,351	2.9	687	50.9	---------	[28] 8,900
	1946 [27]	---------	4,640	[28] 36,400	1,238	42,278	[28] 34,839	649	1.5	241	37.1	---------	6,790
	Prewar [14]	---------	16,800	26,631	607	44,038	25,514	1,224	2.8	[29] 525	42.9	---------	17,300
34 Apparel wool (million pounds) [30]	Estimated, 1948–49	680	---------	290	500	1,470	850	145	9.9	145	100.0	475	---------
	Estimated, 1947–48	821	---------	310	480	1,611	921	10	.6	10	100.0	680	---------
	1946–47	931	---------	342	654	1,927	1,097	9	.5	7	77.8	821	---------
	Prewar [14]	(289)	256	424	90	770	553	0	0	0	0	---------	[31] 217

[1] Imports include shipments from United States territories; exports include shipments to United States territories.
[2] Figures in parentheses show July 1 carry-in stocks, to be used for comparative purposes only.
[3] Estimated.
[4] 5-year average, July 1934 to June 1939.
[5] 5-year average, July 1933 to June 1938.
[6] Excludes shipments to United States territories.
[7] Discrepancies in percentages as between tons and bushels are due to varying weights of the various grains.
[8] Production and foreign trade include oil equivalent of domestic oilseeds exported, or to be exported, for crushing abroad.
[9] 5-year average, calendar years 1937–41.
[10] Negligible.
[11] 5-year average, July 1935 to June 1940.
[12] Primary distributor stocks only.
[13] Beef, veal, lamb and mutton, and pork, carcass weight equivalent except that stocks are product weight of total wholesale commercial cold storage holdings.
[14] 5-year average, calendar years 1935–39.
[15] Carcass weight equivalent.
[16] Not available, but probably negligible in relation to annual production.
[17] 5-year average, calendar years 1934–38.
[18] Canned, condensed, and evaporated milks, dried whole milk and nonfat dry milk solids.
[19] 5-year average, marketing year basis, beginning September 1935.
[20] 5-year average, crop-year basis, beginning August 1934 in the South and October 1934 in California.
[21] 5-year average, crop-year basis, beginning August 1935 for peas and September 1935 for beans.
[22] All years are marketing year basis beginning August; prewar 5-year average, August 1935 to July 1940.
[23] Estimate based on actual exports to Apr. 1, 1948, and programed exports Apr. 1 through July 31, 1948.
[24] Carry-in and carry-out stocks for fertilizer only such limited quantities as required for pipeline.
[25] Imports assumed to be about same as in 1947–48, exports not expected to be more than in 1947–48.
[26] Figures for plywood and hewn ties not included.
[27] Calendar years 1946, 1947, and 1948.
[28] Preliminary estimate.
[29] 1937 only.
[30] Production and stocks are on grease basis. Imports and exports are actual weight basis, either grease or scoured.
[31] Carry-out stocks are Jan. 1, 1936–40, average.

NOTE.—Data for 1948–49, 1947–48, and 1946–47 are on fiscal year basis except as otherwise noted.

Apparent Per Capita Civilian Consumption of Major Food Commodities, 1935–48

Then, there is a table showing the apparent consumption of major food commodities on a per capita basis, calendar years, 1935–39, average, and 1946, 1947, and 1948 (forecasted) with percentage comparison.

(The matter referred to is as follows:)

Apparent civilian consumption of major food commodities on a per capita basis, calendar years, 1935–39 average, 1946, 1947, and forecasts for 1948 with percentage comparisons [1]

Commodity	Average, 1935–39	1946	1947 preliminary	Forecasts for 1948	1948 as a percentage of—	
					1935–39	1947
		Pounds	*Pounds*		*Percent*	*Percent*
Meats (dressed weight) total	125.6	152.8	154	143–146	115	94
Beef	54.8	60.5	69	62–64	115	91
Veal	8.0	9.9	11	10	125	91
Lamb and mutton	6.7	6.7	5	5	75	100
Pork (excluding lard)	56.1	75.7	69	66–67	119	96
Poultry products:						
Eggs [2]	37.3	46.8	47.5	47.5	127	100
Chicken (dressed weight)	17.9	25.3	23.3	22.8	127	98
Turkey (dressed weight)	2.6	4.5	4.1	3.4	131	83
Dairy products:						
Total milk (whole milk equivalent)	801	810	793	776	97	98
Cheese	5.5	6.9	7.1	6.8	124	96
Condensed and evaporated milk	16.7	18.8	19.6	19.8	119	101
Fluid milk and cream	340	425	398	386	114	97
Fats and oils, total fat content	44.7	39.6	41.1	41.1	92	100
Butter, farm and factory (actual weight)	16.7	10.3	11.2	11.0	66	98
Lard	11.0	11.8	12.7	12.7	115	100
Margarine	2.3	3.1	4.1	19.5	96	100
Shortening	11.7	10.1	9.4			
Other edible fats and oils	6.3	6.3	6.0			
Fruits:						
Fresh, total	138.5	140.7	146.0	143	103	98
Citrus	48.8	58.3	62.0	59	121	95
Apples (commercial)	30.2	23.1	25.0	84	94	100
Other (excluding melons)	59.5	59.3	59.0			
Processed:						
Canned fruit	14.9	21.2	19.5	(4)	----------	----------
Canned juices	4.0	17.1	15.1	(4)	----------	----------
Frozen	.8	3.1	3.4	(4)	----------	----------
Dried	5.7	5.0	6.0	(4)	----------	----------
Vegetables:						
Fresh	235	271	250	257	109	103
Canned	31.1	46.5	42.4	(4)	----------	----------
Frozen	5.4	2.1	2.6	(4)	----------	----------
Potatoes	131	126	124	(4)	----------	----------
Sweetpotatoes	23.5	17.9	17.0	(4)	----------	----------
Dry edible beans	8.8	8.7	8.4	(4)	----------	----------
Canned soups and baby foods	5.2	11.6	10.0	(4)	----------	----------
Sugar (refined)	96.5	74.7	96.5	100.0	104	104
Grains:						
Corn products:						
Corn meal	22.9	17.0	18.0	17.0	74	94
Corn sirup	7.7	12.0	12.9	11.0	143	85
Corn starch	1.3	1.9	1.9	1.7	131	89
Corn sugar	2.7	3.8	4.5	3.8	141	84
Breakfast cereals	1.7	2.2	2.6	2.4	141	92
Hominy	1.2	1.5	1.8	1.7	142	94
Oatmeal	3.9	4.4	4.4	4.3	110	98
Barley food products [6]	1.2	1.8	1.7	1.7	142	100
Wheat:						
Flour [7]	153.1	153.4	144.2	146.0	95	101
Breakfast cereals	3.7	3.5	3.6	3.6	97	100
Rye flour	2.2	1.9	1.7	1.7	77	100
Rice, milled	5.6	4.1	4.9	5.2	93	106

See footnotes at end of table, p. 389.

Apparent civilian consumption of major food commodities on a per capita basis, calendar years, 1935–39 average, 1946, 1947, and forecasts for 1948 with percentage comparisons [1]—Continued

Commodity	Average, 1935–39	1946	1947 preliminary	Forecasts for 1948	1948 as a percentage of—	
					1935–39	1947
Beverages:		*Pounds*	*Pounds*		*Percent*	*Percent*
Coffee [5]	14.0	19.3	18.0	(4)		
Tea	.67	.53	.5	(4)		
Cocoa beans	4.4	4.1	4.0	(4)		
Peanuts (shelled)	4.4	5.2	5.0	(4)		

[1] Data on calendar-year basis except for dried fruits which are on a pack-year basis; fresh citrus fruits and peanuts on a crop-year basis, rice on August 1 year. All years begin in year indicated except for fresh citrus which begins in October of the previous year and rice which begins in August of previous year.
[2] In terms of number of eggs, the apparent per capita consumption was 298 in 1935–39, 350 in 1944, 397 in 1945, 374 in 1946, and 380 estimated for 1947 and 1948.
[3] Computed from unrounded data.
[4] Not available until April–June issue.
[5] Average 1937–39. Data prior to 1937 are not available.
[6] All barley food products in terms of malt equivalent.
[7] Includes white, whole wheat, and Semolina flour.
[8] Green-bean basis.

NOTE.—Population estimates used to obtain per capita consumption figures are official Census estimates of total population adjusted for underenumeration of children under 5 and for military personnel not eating out of civilian supplies.

COMPARATIVE STATEMENT OF GRAIN PRODUCTION IN PARTICIPATING COUNTRIES, ETC.

(The following table was submitted later:)

Estimated production of bread grains and coarse grains in ERP countries (excluding dependent overseas territories) and in specified major exporting countries, 1948–49, prewar average, 1946–47, and 1947–48

[Thousands of metric tons]

Country	1948–49			Prewar average [1]		
	Bread grain	Coarse grain	Total grain	Bread grain	Coarse grain	Total grain
ERP countries:						
Austria	748	658	1,406	979	893	1,872
Belgium and Luxemburg	700	815	1,515	849	752	1,601
Denmark	560	3,117	3,677	647	2,951	3,598
France	8,125	6,072	14,197	8,560	6,497	15,057
Greece	807	614	1,421	879	620	1,499
Iceland	0	0	0	0	0	0
Ireland	405	919	1,324	210	688	898
Italy	6,940	3,524	10,464	7,738	3,649	11,387
Netherlands	810	605	1,415	902	491	1,393
Norway	84	266	350	75	316	391
Portugal	665	513	1,178	552	467	1,019
Sweden	983	1,877	2,860	1,094	2,085	3,179
Switzerland	245	241	486	197	34	231
Turkey	4,038	3,154	7,192	4,063	3,165	7,228
United Kingdom	2,498	5,495	7,993	1,707	2,814	4,521
Western Germany	4,384	3,562	7,946	5,603	4,989	10,592
Total ERP countries	31,992	31,432	63,424	34,055	30,411	64,466
Major exporting countries: [2]						
United States	[3] 31,603	[3] 105,117	[3] 136,718	20,504	72,774	93,278
Canada	(4)	(4)	(4)	8,736	7,022	15,758
Argentina	(5)	(5)	(5)	6,285	8,892	15,177
Australia	(6)	(6)	(6)	4,618	595	5,213
USSR	(7)	(7)	(7)	56,227	30,481	86,708
Total major exporting countries				96,370	119,764	216,134

See footnotes at end of table, p. 389-A.

Estimated production of bread grains and coarse grains in ERP countries (excluding dependent overseas territories) and in specified major exporting countries, 1948–49, prewar average, 1946–47, and 1947–48—Continued

[Thousands of metric tons]

Country	1946–47			1947–48		
	Bread grain	Coarse grain	Total grain	Bread grain	Coarse grain	Total grain
ERP countries:						
Austria	580	478	1,058	553	493	1,046
Belgium and Luxemburg	744	834	1,578	417	886	1,303
Denmark	584	3,242	3,826	240	2,920	3,160
France	7,299	5,193	12,492	4,532	4,802	9,334
Greece	826	496	1,322	604	486	1,090
Iceland	0	0	0	0	0	0
Ireland	475	821	1,306	483	824	1,307
Italy	6,592	2,892	9,484	5,688	3,029	8,717
Netherlands	815	608	1,423	512	527	1,039
Norway	80	275	355	70	263	333
Portugal	660	712	1,372	490	566	1,056
Sweden	970	1,519	2,489	532	1,406	1,938
Switzerland	261	240	501	216	192	408
Turkey	5,225	3,068	8,293	3,937	2,422	6,359
United Kingdom	2,038	5,299	7,337	1,716	4,582	6,298
Western Germany	3,908	3,145	7,053	3,764	3,620	7,384
Total ERP countries	31,057	28,832	59,889	23,754	27,018	50,772
Major exporting countries:[2]						
United States	31,859	112,719	144,578	37,806	87,152	124,958
Canada	11,483	8,901	20,384	9,610	7,294	16,904
Argentina	6,166	7,670	13,836	6,616	8,626	15,242
Australia	3,192	543	3,735	6,205	965	7,170
USSR	43,073	15,313	58,386	47,183	21,826	69,009
Total major exporting countries	95,773	145,146	240,919	107,420	125,863	233,283

[1] In general represents 5-year average, July 1934 to June 1939.

[2] Countries indicated are believed to be the only significant exporters for 1948–49. Some countries, important as exporters prewar, will have little to export or will be net importers in 1948–49. Balkan exports probably will be small, only insignificant quantities going to western European countries. Poland, North Africa, and India are now net importers. Turkey will export a small quantity of grains. Manchurian exports, if any, likely will be available only to Russian-dominated areas. Russian exports in 1948–49 likely will be an insignificant percentage of production in relation to early prewar years.

[3] Unofficial estimates based upon April crop report for winter wheat; also March 1 intentions-to-plant for spring wheat and coarse grains using average yields on intended acreage.

[4] Production estimates unavailable. No acreage goals announced, but probable that combined acreage of grains will exceed 1947 due to continued strong demand and removal of price ceilings on coarse grains. However, excess moisture is delaying planting in prairie provinces. Effect of this is not known since advantages of ample moisture may offset lateness of planting. First official production estimate available in August.

[5] Production estimates unavailable. 1947 crop harvest just completed and seeding now beginning for 1948–49 crop. Weather conditions favor increased seeding, but no indications of change in Government policy which has discouraged expansion of acreage in recent years.

[6] Production estimates unavailable. 1947 crop harvest just completed. Seeding conditions appear good for 1948–49 crop, but smaller harvest is in prospect because improbable weather will be as favorable as last year.

[7] Production estimates unavailable. Fall-sown crops wintered well, and total acreage of bread grains is expected to exceed 1947 harvest. Conditions generally favorable for spring seeding of coarse grains but no indication of acreage being sown or yield to be expected. Improbable that total grain production will reach prewar level.

Selected commodities: Comparison of production in ERP countries[1] during a prewar period[2] with estimates for 1948–49 made at various dates

[Thousand metric tons]

Commodity	Prewar production[2]	Estimates of 1948–49 production made in—		
		Fall 1947	March 1948	May 1948[3]
(1)	(2)	(3)	(4)	(5)
Rice	592	505	505	505
Oilcake and meal	222	325	325	325
Pulses	1,404	1,498	1,515	1,515
Potatoes	60,300	(4)	62,600	63,500
Fats and oils	2,790	2,230	2,255	2,255
Sugar	3,653	3,573	3,573	3,573
Meat (including horse meat)	8,183	6,473	6,441	6,441
Cheese	973	691	691	691
Processed milk	489	247	290	290
Eggs (shell equivalent)	1,850	1,362	1,417	1,417
Fresh fruits	12,228	11,757	11,763	11,525
Dried fruits and nuts	1,204	968	968	968
Tobacco	230	231	241	241
Cotton	71	71	71	71

[1] Includes following 17 countries participating in the European recovery program: Austria, Belgium-Luxemburg, Denmark, France, Greece, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, United Kingdom, and western Germany.
[2] In general, represents 5-year average, July 1934 to June 1939.
[3] Only revision is for fresh fruits, reflecting slight reduction because of damage due to severe freezes. For other commodities listed, no revision is warranted either because additional data are not available or because factors affecting the estimates have not changed significantly.
[4] Not available.

Bread grains: Comparison of production during a prewar period[1] with estimates for 1948–49 made at various dates

[In thousand metric tons,[2] by countries in the European recovery program]

Country	Prewar production[1]	Estimates of 1948–49 production made in—			
		Fall, 1947	March 1948	May 1948	
				1,000 metric tons	Million bushels
(1)	(2)	(3)	(4)	(5)	(6)
Austria	979	748	748	700	26.7
Belgium and Luxemburg	849	700	700	700	26.4
Denmark	647	560	560	560	21.5
France	8,560	8,125	8,125	8,125	299.9
Greece	879	807	807	745	27.5
Iceland	0	0	0	0	0
Ireland	210	405	405	505	18.6
Italy	7,738	6,470	6,940	7,325	269.5
Netherlands	902	726	810	850	32.4
Norway	75	84	84	84	3.1
Portugal	552	585	665	750	28.0
Sweden	1,094	983	983	975	36.7
Switzerland	197	245	245	245	9.1
Turkey	4,063	4,038	4,038	4,950	183.1
United Kingdom	1,707	2,498	2,498	2,545	93.6
Western Germany	5,603	4,384	4,384	4,310	164.6
Total, ERP area	34,055	31,358	31,992	33,369	1,240.7

[1] In general, represents 5-year average July 1934 to June 1939.
[2] Except column 6, which is in millions of bushels.

Coarse grains: Comparison of production during a prewar period [1] with estimates for 1948–49 made at various dates

[In thousand metric tons,[2] by countries in the European recovery program]

Country	Prewar production [1]	Estimates of 1948–49 production made in—			
		Fall, 1947	March 1948	May 1948	
				1,000 metric tons	Million bushels
(1)	(2)	(3)	(4)	(5)	(6)
Austria	893	658	658	658	37.2
Belgium and Luxemburg	752	815	815	815	50.8
Denmark	2,951	3,117	3,117	3,117	162.1
France	6,497	6,072	6,072	6,072	367.8
Greece	620	614	614	614	29.3
Iceland	0	0	0	0	0
Ireland	688	919	919	919	60.1
Italy	3,649	3,524	3,524	3,524	155.9
Netherlands	491	605	605	605	37.1
Norway	316	266	266	266	16.0
Portugal	467	513	513	610	29.1
Sweden	2,085	1,877	1,877	1,877	104.5
Switzerland	34	241	241	241	12.8
Turkey	3,165	3,154	3,154	3,154	145.1
United Kingdom	2,814	5,495	5,495	5,495	321.7
Western Germany	4,989	3,562	3,562	3,300	205.3
Total, ERP area	30,411	31,432	31,432	31,267	1,734.8

[1] In general, represents 5-year average, July 1934 to June 1939.
[2] Except column 6, which is in millions of bushels.

Discussion of Availability of Various Food Commodities

The Chairman. As you submit this table 3 for the record, I would like to have you do away with the "n. a.", indicating "not available", and put in the best estimates the Department can give us as of the moment for the 1948 crop, and, so that that will be perfectly clear, you can put the word "estimate" after the word "grains" and as to each one of the items and as to bread grains and coarse grains and then, below that, put either the word "statistics" or "actual" so that we will know that some are actual figures while the others are estimates.

Mr. Dodd. We can do that, Mr. Chairman. We can take the estimates that have been sent in of the acres to be planted——

The Chairman. Can you give us anything now in the nature of what these figures might be?

WINTER WHEAT

Mr. Dodd. Yes; I could. Take winter wheat: Since you have had the rains of last week in the Southwest, the situation has changed a great deal. Our winter wheat crop probably will be a record crop. It probably won't be as large as it was last year, but it will probably be one of our record winter wheat crops.

The Chairman. You mean it will be larger than the April 1 estimate?

Mr. Dodd. Yes. I do not think there is any question about that, because since April 1 there has been an improvement in the weather, and we had some rains just at the opportune time when the ground was beginning to crust. The ground had plenty of subsurface moisture, but it did not have surface moisture, and the rains came just at the opportune time when the ground began to crust. They have not been heavy, but they have been enough to change the whole picture in one of the large wheat-producing areas.

As far as the Pacific northwest area is concerned, they will probably have one of the best crops of winter wheat they have ever had.

And the same thing is true east of the river. They got the floods and then the drought, and the spring wheat crop was a little late going in, but the indications are we are going to get a large acreage planted, and, if they get normal rains from then on, they will have a large production of spring wheat.

The Chairman. But you can only estimate it on the acreage basis?

Mr. Dodd. That is right.

The Chairman. You cannot tell anything about the conditions before you get it in?

Mr. DODD. Except you do know if you had to put it into dry ground and the conditions were not good at the time of planting, you would probably get a pretty low yield. But with its going in under ideal conditions, you have a pretty good estimate, and we think the yield there will be high. I think you can say now, barring a catastrophe or barring a drought or floods some place, that we will probably have one of the record wheat crops.

CORN

The CHAIRMAN. What about corn?

Mr. DODD. The same thing applied to corn. They have been able to get the work done much better than a year ago. We have some areas where it has been too wet and some where it has been cold, and they were backward in getting the crop in, but the ground is in much better shape, and the indications are we will have a good corn crop. We are going to get a good crop of seed and hybrid corn, and with the tractors and other conditions, we have the possibility of a good corn crop.

I think we are going to be a little shorter on oats than normally, because we had bad weather in the spring, wet and cold, which prevented the farmers from getting in the seed, and in some areas the seed oats did not get planted. But, in place of oats, you are going to get soybeans or corn, which will add to the coarse grains supply and will make just as good a food contribution.

The CHAIRMAN. But there are lots of places where they do not get the oats in until the month of May.

Mr. DODD. In many places you have that, but in the case of the South there was delay because of the hot weather coming along and catching. But, of course, in the North, you are still ahead.

The CHAIRMAN. They cannot tell what the planting weather is going to be yet.

Mr. DODD. No; it is just a little too early, but at the present time, as you pick up the weather map from day to day, it looks pretty good. It looks a lot better than it has been.

The CHAIRMAN. The whole picture?

Mr. DODD. The whole picture looks better. True there are a few spots where it is not what you would like to have, but, taking the weather over the whole United States, the moisture conditions are much better than they have been for several years, although we have been plagued with drought in one State and floods in another State. And Mr. Cannon will remember that down in that area they had some pretty bad floods in the last couple of years, right at the time when the farmers had to get into the fields.

The CHAIRMAN. But they have not had anything very bad this year?

Mr. DODD. Nothing serious this year. True, the winter wheat crop did get a late start last fall, because they did have a drought in the southwest plains, but there have been better than average moisture conditions since then; so that the prospects are better than they were. We can give you an estimate there, I think, that won't be too far off.

SUGAR

The CHAIRMAN. Now, it appears from this table there is a big jump in sugar. I do not just understand how we could expect quite so much of a jump, but it appears the sugar crop is going to be away up. Does that mean the domestic sugar crop is double what we have been having?

Mr. DODD. No; that does not mean that.

The CHAIRMAN. Well, it says "production" in column 4.

Mr. DODD. I believe that figure on production must include some shipments into the country from territories.

The CHAIRMAN. Well, you have imports, 7,000,000,000.

Mr. DODD. Seven billion four hundred and sixty-four million.

The CHAIRMAN. And production 8,000,000,000.

Mr. DODD. That is right. But I believe this figure includes some distributor stocks which should be classified as import shipments.

The CHAIRMAN. Well, that would be in your carry-over figure, and your 8,500 is production.

Mr. DODD. It is so marked, and I have asked the boys to check that figure so as to differentiate between actual production and import shipments from our Territories.

The CHAIRMAN. If that is so, it indicates a tremendous sugar production. I am wondering if that figure is right. It looks a little out of line.

Mr. DODD. That is right.

MEAT

The CHAIRMAN. Your meat production seems to be holding up better than I would expect, considering the stories I have been reading in the papers.

Mr. DODD. That is going to be down quite a ways from last year.

The CHAIRMAN. Yes; nearly a billion and a half.

Mr. DODD. That is right; and 2,000,000,000 pounds from the year before.

The CHAIRMAN. Yes; but it still is quite a considerable item.

Mr. DODD. Oh, yes; that is right.

The CHAIRMAN. And it is a considerable item above prewar.

Mr. DODD. That is correct. If you will notice on this chart I gave you on consumption, you can see we had 125.6 pounds consumption prewar, compared with 145 pounds last year and 152.8 pounds the year before.

The CHAIRMAN. Your meats and poultry and some of your dairy products show a considerable increase in consumption.

Mr. DODD. That is correct over prewar.

FATS AND OILS

The CHAIRMAN. While your fats and oils, with the exception of lard and margarine and shortening, show quite a drop.

Mr. DODD. That is right. We just have not had it.

The CHAIRMAN. It just has not been available?

Mr. DODD. That is right. Take butter: The figures are down 4 or 5 pounds. Everybody would have liked to have had more butter all the way from the beginning of the wartime to the present, but we just have not had it. And milk has been going into fluid milk, and there has been more fluid milk used, and that meant less butter.

Mr. KEEFE. Your estimate of fluid milk consumption per capita is down for 1948.

Mr. DODD. Because the number of cows is down. I just do not think we are going to have as much milk as the people would buy if we had it.

Mr. KEEFE. Why is it those figures of margarine, shortening, and edible fats are combined in your forecast as 19.5 for 1948?

Mr. DODD. We cannot tell as between edible fats and oils, shortening, and margarine as to which category those will drop into, but that much will be available, and your estimates are based on the fact if some commodities are short there will be more of the others.

Mr. KEEFE. But you do break it down in your average for 1935–39.

Mr. DODD. That is right.

Mr. KEEFE. And for 1946.

Mr. DODD. And 1947, and we can do that again next year when we look back and see just what was used in those categories for 1948. But we cannot forecast ahead as to what will be used in this year with any degree of certainty.

Mr. KEEFE. But it does show a very considerable increase in the consumption of margarine for 1947 of 4.1 pounds as against 2.3 pounds for the average in 1935–39.

Mr. DODD. That is right.

SUGAR

Mr. Chairman, on those figures you just questioned about sugar, they have just telephoned and said this figure of 8,536, shown in the "production" column for 1948–49 includes shipments from some of our territories, such as Hawaii. The figure should be 4,400 on the production of sugar for 1948–49.

The CHAIRMAN. 4,400 in line A, column 4?

Mr. DODD. That is correct.

The CHAIRMAN. Where it is 8,536 it ought to be 4,400?

Mr. DODD. That is correct. And in the next column, 5, where it is now 7,464, it should be 11,100, because that "Imports and shipments" means shipments from the islands as well as regular imports.

The CHAIRMAN. That "imports" includes Hawaii?

Mr. DODD. That is correct.

The CHAIRMAN. And Puerto Rico?

Mr. DODD. Puerto Rico, Hawaii, and the Virgin Islands. And the total supply figure in column 6 should be 17,750.

Mr. STEFAN. Instead of 18,250?

Mr. DODD. Instead of 18,250.

The CHAIRMAN. That means a little less sugar available than out of this current crop?

Mr. DODD. That is right. At the present time, sugar is pretty much of a drug on the market. The warehouses are full almost every place.

The CHAIRMAN. And you show a drop-off in your domestic disappearance.

Mr. DODD. That is correct.

The CHAIRMAN. Which runs awfully close to 2,000,000,000 pounds.

Mr. DODD. Not that much. The proper figure for column 7 should be 15,000 instead of 13,750. This is a little decrease from last year though. The warehouses are full, and the sugar refinery people tell us there was a good deal of hoarding of sugar that did not show up until after rationing restrictions were lifted, and then they found these stocks in almost everybody's kitchen, and at the present time the people are not buying sugar at the same rate they did a year ago. They estimate they will sell less sugar to the housewife and for commercial purposes than they did a year ago. The carry-over figure in column 12 should read 2,250 instead of 4,000. This is the same as last year.

Mr. STEFAN. That is the carry-over?

Mr. DODD. That is the carry-out in the next year.

The CHAIRMAN. This shows the total for all countries and then the shipments for ECA countries?

Mr. DODD. Those come out of the 500 exports to all destinations.

The CHAIRMAN. Would that be added?

Mr. DODD. No; that will come out. That is part of the 500.

Mr. WIGGLESWORTH. Is this based on the fiscal year or ECA year?

Mr. DODD. The fiscal year, for 1948–49, that is July 1 to July 1.

DAIRY PRODUCTS

The CHAIRMAN. Now take dairy products. The figures on dairy products as a whole seem to be on a higher basis than prewar.

Mr. DODD. That is correct. We increased our production of dairy products a great deal during the war. We went from 105 or 106 billion pounds of milk up to 120 or 121 billion pounds of milk.

The CHAIRMAN. And the carry-overs seem to be quite decidedly larger in both cheese and dairy products than prewar.

Mr. DODD. That is correct.

The CHAIRMAN. And they seem to be full higher and the estimates are full higher than last year's.

Mr. DODD. You notice there is not so much difference on cheese. On cheese, our next year carry-in and production are practically the same; there is not very much difference. The only difference is when you get back to the 5-year period prewar. That figure is lower by 40 million.

The CHAIRMAN. There seems to have been quite a jump in 1947–48.

Mr. DODD. There is no question about that in cheese. And, of course, that was also true of dried skimmed milk, condensed milk, and a few of those things.

The CHAIRMAN. Butter did not operate that way.

Mr. DODD. No; butter did not operate that way.

The CHAIRMAN. We have nothing in here on butter at all?

Mr. DODD. No; not in this.

The CHAIRMAN. It is not involved in this?

Mr. DODD. No. We have to take the total dairy products.

The CHAIRMAN. But there is not any butter involved in this?

Mr. DODD. There is none in the ECA exports.

The CHAIRMAN. So that you have none in this picture?

Mr. DODD. That is correct. I want to call your attention to something I am sure you know has been happening in the old days. Prewar, many farmers separated their milk at home and fed the skimmed milk to their hogs and calves and took the cream to the creamery for manufacture into butter. Our demand for dried skimmed milk was so great during that war that, insofar as we could, we encouraged creameries to take the full milk and separate out the cream for use there and dry the milk solids, and they built up an enormous business in that field, which I think is all to the good. They can probably buy the required supplements for their livestock a lot cheaper than they can use the dried skimmed milk.

PULSES, CLEANED BASIS

Mr. WIGGLESWORTH. I notice under your "Other foods" there "Pulses, cleaned basis." Apparently there is going to be a 200-million-pound decrease in the domestic consumption and only a 100 million carry-over.

Mr. DODD. The decrease in consumption amounts to about 80 million pounds from last year.

Mr. WIGGLESWORTH. Does that mean the program contemplated will force a reduction in the domestic consumption?

Mr. DODD. No, sir; it does not. When we made the allocations of pulses—dried beans and dried peas and certain edible varieties—we held down the allocations last year because the stocks on the grocers' shelves were pretty short. But now everybody has gotten pretty well caught up, as a matter of fact, to a point where there is a surplus and they are a drug on the market. So that they did step down the carry-in stocks to a pretty low figure. But, as the domestic consumption, that is, our domestic disappearance, is shown as coming out of the farmer's current crop, it appears to be lower than it actually is, in terms of pounds to be eaten by the people in this country. I think every store will have plenty of beans and peas this year and can fill any order they will be called upon to fill.

Mr. WIGGLESWORTH. On the basis of 1,680 million pounds?

Mr. DODD. With imports of 40 million the figure would be 1,720 million. Given fair weather, the crop realized from our average goals will allow the same carry-out figure that we had last year, equal to the carry-in figure at the beginning of the year.

CIVILIAN CONSUMPTION OF MEATS

Mr. STEFAN. The top figure on this last table you just gave us, entitled "Apparent civilian consumption of major food commodities on a per capita basis," the first thing is "Meats." That is the total consumption per capita, is it not?

Mr. DODD. That is the total meat that will be available.

Mr. STEFAN. I mean this last table. That is the consumption?

Mr. DODD. Yes; that is our estimate.

Mr. STEFAN. 125.6 pounds of meats per person?

Mr. DODD. That is right—in the period 1935–39.

Mr. STEFAN. And it is 152.8 pounds in 1946 and 154 pounds in 1947, and you forecast between 143 and 146 pounds for 1948?

Mr. DODD. That is all we think will be available.

Mr. STEFAN. Because of the great shortage of meats?

Mr. DODD. That is right.

Mr. STEFAN. This is all classes of meats?

Mr. DODD. All classes of meats.

Mr. STEFAN. What is your percentage figure of 115?

Mr. DODD. That is the forecast for 1948 as a percentage of prewar. As a percentage of 1947, the figure is 94.

Mr. STEFAN. Then you go down and break the meats down into beef, veal, lamb, and pork?

Mr. DODD. That is right.

Mr. STEFAN. Do they total up for all meats? I have tried to total some of those, and they do not seem to total. But they have to total with the top figure, do they not?

Mr. DODD. That is right. I think they all total.

Mr. STEFAN. I was working on one, and it did not seem to total.

Mr. DODD. There might be a fraction of a little something that would change it. Of course, in 1948, those would not total, because the data are shown in terms of a range.

Mr. STEFAN. That is where I was off. Now, there are a lot of hogs coming into the market now, and they are selling them.

Mr. DODD. That is right.

Mr. STEFAN. Do you mean to indicate that the pig crop is going to be short?

Mr. DODD. No. The total supply of pork that is going to be available during the calendar year 1948 won't be as much as the total number of hogs that hit the market in 1947.

Mr. STEFAN. But there will be a shortage of meats of all kinds?

Mr. DODD. Yes, sir; as compared to 1947. You notice, if you go back to 1946, that we had a lot of hogs. That was because of the large farrowings in 1945, and you had lots of hogs, and the drop in hogs is because of the drop in farrowings.

Mr. STEFAN. Except the consumption was heavier in 1946?

Mr. DODD. The consumption was heavier in 1946; oh, yes.

Mr. STEFAN. And in 1947, compared with the 1935–39 period?

Mr. DODD. Oh, yes; very much.

Mr. STEFAN. And there is a kind of drop-off in the forecasts for 1948 of 66 to 67?

Mr. DODD. It is a drop-off because they just won't have the hog meat; they won't have the hogs to make that bacon and ham.

Mr. STEFAN. And when you go down to mutton and veal, they are going up?

Mr. DODD. A little bit, but they won't change very much. Veal won't change a great deal, but in mutton, of course, the sheep population is the lowest it has been since we began keeping records, which I believe was in 1867. The sheep population, perhaps, is the lowest in this country that it has ever been in the last 75 years.

Mr. STEFAN. Do you look for a great decline in beef?

Mr. DODD. I would guess we might have another year yet before the cycle would reach the limit.

Mr. KEEFE. What is the reason for the decline in the sheep population? The feed lots are all empty nowadays.

Mr. DODD. Of course, one of them is that these folks have been pretty scared by the cattlemen with the high beef prices, and they have done two or three things. One is they have culled their herds as hard as they could.

Mr. KEEFE. I am speaking specifically about sheep and mutton.

Mr. DODD. On sheep and mutton, it goes back to the beginning of the war and even before the beginning of the war, when it was largely a labor question. It was at that time. They could not get deferment for the sheep herders and lamb tenders, and where most of our sheep are raised in the big areas of the West, where you have to depend on running them on the range, the good sheep man is just not going to have a band of sheep with lambs at their sides, in which he has $25,000 or $30,000 invested, with no experienced herder to look after them. He is just not going to do it. And every year the war progressed he had more and more trouble with labor, and he said, "I am going to liquidate my sheep." And the price was fairly good; so he just cut them down. Also, he had difficulty selling his wool at a price attractive enough to maintain production of sheep and wool.

AVAILABILITY AND PRICE OF WOOL

Mr. STEFAN. But you had that support program. How much wool do you have on hand?

Mr. DODD. We have about 230 million pounds at the present time, compared with over 500 million pounds 18 months ago.

Mr. STEFAN. About what did you pay for it?

Mr. DODD. About 42 cents, farm price.

Mr. STEFAN. What are you going to pay for Argentine wool?

Mr. DODD. We are not going to buy any Argentine wool.

Mr. STEFAN. Well, somebody is going to buy Argentine wool.

Mr. DODD. We are not.

Mr. STEFAN. Do you know what they are going to pay for Argentine wool?

Mr. DODD. No; I do not know anybody who is going to buy Argentine wool. ERP might buy some, but so far as Commodity Credit is concerned, we are not going to buy any.

Mr. STEFAN. Do you know what we are going to pay for that Argentine wool, Mr. Nitze?

Mr. NITZE. I do not have that figure here.

Mr. STEFAN. It is less than 42–43 cents?

Mr. NITZE. The foreign price of wool is considerably less than the domestic price of wool.

Mr. STEFAN. You gave us the price that you were going to pay in Argentina the other day; you should have it here now.

Mr. NITZE. I do not have it before me.

Mr. DODD. We have a 25.5-cent duty in this country on scoured wool and if you take about half of that and put it on your grease-wool price, you would have the difference between the foreign wool and ours.

Mr. NITZE. The price that I have here is $683 a metric ton. That would have to be divided by——

Mr. NORTHRUP. It would be a little better than 30 cents.

Mr. NITZE. Yes, a little better than 30 cents.

The CHAIRMAN. Why would you be buying Argentine wool?

Mr. STEFAN. When you have 238 million pounds of American wool on hand?

The CHAIRMAN. And on top of that, you have only gotten rid of about 100 million pounds——

Mr. DODD. About 250 million pounds, Mr. Chairman.

The CHAIRMAN. You got rid of about 100 million pounds since January 31?

Mr. DODD. I was talking about Commodity Credit stocks.

The CHAIRMAN. I have their statement here in front of me; you had, or they had 341 million pounds as of January 31.

Mr. DODD. That is this year?

The CHAIRMAN. Yes.

Mr. DODD. Commodity Credit Corporation stocks on January 1 totaled 342 million pounds. I was talking of the last 18 months. Our big sales were last fall.

Mr. STEFAN. How much did you get for it?

Mr. DODD. For choice combing fine and half blood wools bought before 1947, we got all of what we paid plus carrying charges. On the rest of it we have not been able to get our money back.

Mr. STEFAN. How much did you offer it for?

Mr. DODD. We have tired to meet world prices with tariff added, but the consumers in this country do not like to have clothes made of wools under half blood. To satisfy this demand the manufacturers want either something finer than 58's, or for carpets or rugs they want something coarser than anything we have in the CCC inventory.

Mr. STEFAN. What proportion of the 238,000,000 pounds of wool that you have is of the 58 quality?

Mr. DODD. About half of it is in the 50's to 58's quality.

Mr. STEFAN. And you are probably stuck with that?

Mr. DODD. That is the information that I gave the Agriculture Committee that was considering the extension of price support; the Commodity Credit stocks of wools, finer than 58's, they have been able to move without too much trouble. But those in-between grades, from 50's to 58's, we have not been able to move and we have added to our stocks each year since 1943.

Mr. STEFAN. Here is half of the 238,000,000 pounds of wool which the Commodity Credit Corporation has on hand, on which they are liable to take a loss. Why could you not cut down on the amount of wool that you are buying from the Argentine and buy these stocks that we have on hand in our own warehouses, which were paid for by the Federal Government? Is it because that is not the kind of wool that they want over there?

Mr. DODD. Some of them would probably buy it, but our wool would be at a higher price than wool in the world market.

The CHAIRMAN. About a month ago, the price of wool that was suitable for carpets was 75 cents.

Mr. DODD. That is on a scoured basis.

Mr. STEFAN. What is that?

Mr. DODD. When you take grease wools and scour them, it takes away roughly half the weight of the wool as it is originally shorn from the sheep. Of course, some wools scour out more than others.

There was a proposal—I think it was made before the Senate Agriculture Committee, and I think it also has been put before the House committee—to set up a revolving fund to be used by the Army to purchase fibers for manufacture in the occupied areas for resale. We suggested that it might be well for them to use our surplus cotton and flax and wool—those things that we do have in surplus, of those grades that we have in surplus. I think there was an amendment to the bill—I have not followed it closely, but I believe there was an amendment to the bill added in the Senate.

Mr. STEFAN. You do not anticipate any trouble, then, getting rid of your 238,000,000 pounds of wool, Mr. Dodd, one way or another?

Mr. DODD. I think we can get rid of it somehow or other.

Mr. STEFAN. Either through shipping it to occupied areas or to some of the countries under the ECA program?

Mr. DODD. That is right.

Mr. STEFAN. Then there will be a shortage of wool. What will be the wool situation then? We now have a shortage of sheep.

Mr. DODD. We import wool into this country regularly. Our textile mills use a great deal more than we produce in this country; we always have and we will for many years to come, because of the short sheep population that we have now.

Mr. STEFAN. You do not anticipate a shortage of wool, then?

Mr. DODD. This country is going to have to buy wool from Australia and South America.

Mr. STEFAN. There is going to be a domestic shortage?

Mr. DODD. There is no question but that large imports will be required. We have always had a shortage of certain types of wools from domestic production.

Mr. STEFAN. And we have 238,000,000 pounds of wool, 50 percent of which is not salable in the United States?

Mr. DODD. It is not the kind of wool that our clothing manufacturers want to use under present conditions.

Mr. STEFAN. In other words, we have the same story as to that wool that we had in connection with the binder twine that was made out of that Mexican weed?

Mr. DODD. That is correct.

Mr. STEFAN. It was not of good quality and you are looking for a market for it.

Mr. DODD. Much of this wool is just as good quality—that is, the 50's to the 58's are just as good quality as any 50's and 58's in the world.

Mr. STEFAN. It seems to me that it would be good enough quality for us to give these foreign countries whom it is proposed that we supply with wool, instead of going down into Argentina and buying wool for them.

Mr. DODD. It makes pretty good clothes. You and I have worn a whole lot worse. But the market for clothing today in America is such that we are demanding a little bit finer quality.

Mr. STEFAN. I am talking about these foreigners who want help from us.

Mr. DODD. We will offer it for sale to anybody who will buy it; that is, the Commodity Credit Corporation will.

Mr. STEFAN. Why did you not pick it up, Mr. Nitze? Why did you not take that into consideration, in view of the fact that we have 238,000,000 pounds of it on hand in this country?

Mr. NITZE. I did not go into that particular question, Mr. Stefan, but my impression was that the market in the United States for equivalent grades is much higher than it was abroad.

Mr. STEFAN. Mr. Dodd has just testified that half of the 238,000,000 pounds of wool that they have on hand they cannot get rid of and I suppose he will have to sell it at a loss.

Mr. NITZE. I am not sure that it could not be sold domestically at a higher price than we can buy wool abroad.

Mr. DODD. I think that is right. I think, when you get onto a competitive basis, you will find that Australia and South America will offer wool of like quality probably for less money than we can offer it, because of the differences that I mentioned.

Mr. STEFAN. There must be an explanation for that.

Mr. DODD. Well, you have got a 25.5-cent duty on scoured wools. We will always be ahead of the world market, even though our price may be lower than some of our people would like to have it.

Mr. KEEFE. There is no provision in this ECA program for the shipment of finished woolen goods; is there?

Mr. NITZE. No, sir.

Mr. DODD. I believe none at all.

Mr. KEEFE. So that the American woolen manufacturer himself is not involved in the ECA program?

Mr. DODD. No.

Mr. KEEFE. What is involved is the possible purchase of wool for fabrication in plants abroad, in the participating countries?

Mr. DODD. Raw materials.

Mr. KEEFE. The question was asked me this morning by a Member of Congress, and I thought that was the situation and so advised him, although I could not recall with any definiteness whether there was any actual consideration being given to the shipment of finished woolen goods manufactured by American manufacturers.

Mr. STEFAN. I asked that question the other day—whether they were going to have any blankets, and so forth, to ship over—and they told us "no."

IMPORTS AND SHIPMENTS OF COTTON

Mr. MAHON. Mr. Chairman, I should like to ask one or two questions on cotton. I am referring to table 3, line 14, under column 5, "Imports and shipments," where you have 300,000 bales. What is included in "Imports and shipments"? "Shipments" confuses me.

Mr. DODD. "Shipments" means the stuff that we will receive from our own areas, like Puerto Rico or the Virgin Islands. Imports are from all other countries.

Mr. MAHON. That is with respect to cotton?

Mr. DODD. That is with respect to all commodities. For cotton it means your long-staple cotton from Egypt, and cottons of that kind.

Mr. STEFAN. Some from Brazil?

Mr. DODD. No.

Mr. MAHON. What restrictions such as quotas do we have on the importation of cotton?

Mr. DODD. I would have to look up the present quota to tell you exactly.

Mr. MAHON. Can you tell me approximately?

Mr. DODD. There is a quota on all cotton. Then there is a quota on certain different staple lengths of cotton.

Mr. MAHON. Is that fixed?

Mr. DODD. I can get that for you, Mr. Mahon. I sat in on the hearings and agreed to the quota. That was with the Interstate Commerce and the Tariff Commission people. But I cannot give you exact figures on it now.

Mr. MAHON. Under what conditions may the quotas vary?

Mr. DODD. Demand. You have to look at demand and our own supply of that particular staple length.

Mr. MAHON. Would the executive branch have authority to change the quotas?

Mr. DODD. No. We have the authority to make a recommendation to the President for a change in the quotas.

Mr. MAHON. Does the President have to consult the Congress?

Mr. DODD. No; he calls on the Tariff Commission to have a hearing at which all interested parties appear. They make their findings and make their recommendations.

Mr. MAHON. Does that come under the reciprocal trade agreements law?

Mr. DODD. No; it is under section 22 of the Agricultural Adjustment Act. We also have an import quota on wheat at the present time—800,000 bushels. I do not think we have any quota on long-staple cotton at this time. Our quotas are on short-staple cotton. We do have a quota on the shorter staple cottons.

Mr. NITZE. I think there is also a quota on long-staple cotton; is there not?

Mr. DODD. There is on certain lengths, but I cannot tell you the exact lengths.

Mr. MAHON. Will you insert in the record the specific data with regard to that?

Mr. DODD. I can get you the exact ruling as to what the quotas are, and put them in the record at this point.

Mr. MAHON. If you will.

(The information is as follows:)

At the present time the following annual import quotas are in effect with respect to cotton and cotton waste:

(1) Less than ¾-inch harsh or rough, 70,000,000 pounds;

(2) Under 1⅛ inches other than rough or harsh under ¾-inch, 14,517,882 pounds;

(3) 1⅛ inches or more but less than 1 11/16 inches, 45,656,420 pounds; and

(4) Cotton card strips made from cotton having a staple of less than 1 3/16 inches in length, Comber Waste, Lap Waste, Sliver Waste, and Roving Waste, whether or not manufactured or otherwise advanced in value, 5,482,509 pounds.

The import duty on cotton 1⅛ inches and over formerly was 7 cents per pound. The duty now in effect, however, is 3½ cents per pound for cotton 1⅛ inches and over but less than 1 11/16 inches.

Mr. STEFAN. Can we get the total annual imports of long-fiber cotton?

Mr. DODD. That is, the total imports we expect for this coming year, for 1948–49——

Mr. STEFAN. That will be practically all long-fiber cotton; will it not?

Mr. DODD. There will be a few short-fiber bales.

Mr. MAHON. You mean from India, to be used for certain purposes?

Mr. DODD. Probably from Peru.

Mr. MAHON. If there were no quotas on the importation of cotton of any type, would the cotton from abroad probably flood our domestic markets?

Mr. DODD. If there were no quotas and no tariff, I should think "yes."

Mr. MAHON. What are the tariff regulations as to cotton?

Mr. DODD. I would have to get you those, too. They changed recently under the reciprocal trade agreements. I will have to get you the exact tariffs in effect. But I do not think there is any question that there are several countries that would like to bring in cotton to this country because of the higher price here.

EFFECT OF QUOTAS AND TARIFFS ON WHEAT IMPORTS

Mr. MAHON What would be the situation with respect to wheat and some of the other commodities?

Mr. DODD. It would vary, depending upon the price differentials.

Mr. MAHON. That is, without the quotas and without the tariff, our domestic markets might very well receive a heavy load of shipments from abroad?

Mr. DODD. Let me call your attention to one country, Mr. Mahon, in respect of wheat. That is one that I know very well. Under the present legislation you have a support price at a certain level. The old legislation said that the Secretary of Agriculture would determine the loan level, the support level, somewhere between 52 percent and 75 percent of parity. If quotas were voted, it would be 85 percent of parity. The act that was passed some time ago said 90 percent; 90 percent of parity is higher than the price of wheat in Canada, by a long ways and until 2 years ago it was more than 42 cents higher, which was the amount of the tariff.

Then, with your reciprocal trade agreements you cut that 42 cents some. The best market the Canadian farmer would have would be right here in the United States, even though we had plenty of wheat. The effect of it could be that they would come into our market and take some of our market and we would have to support the price of our other wheat.

Mr. MAHON. And that would be so despite the fact that there is quite a shortage of break grains?

Mr. DODD. There is no shortage of bread grains in the United States.

Mr. MAHON. I mean world-wide.

Mr. DODD. That is true.

Mr. MAHON. In other words, they would rather get dollar exchange from the United States than try to sell their wheat to other countries?

Mr. DODD. Canada entered into a 4-year agreement with Great Britain to supply during the first 2 years 160,000,000 bushels of wheat a year at a fixed price and to supply during the last 2 years 140,000,000 bushels per year at a negotiated price. The price in

effect in this market year now was $1.55 a bushel. That is in store at Fort William and Port Arthur. We have not had any wheat as low as $1.55 in this country for a long time. So you can see what would happen. That wheat would come across the line without the quota in effect.

Mr. MAHON. I see.

EXPORTS OF COTTON

I wish you would look at column 8. You estimate that we will export to all countries 3.5 million bales in this year?

Mr. DODD. That is correct.

Mr. MAHON. And that you will have a carry-over at the end of the year of 2.5 million bales of cotton?

Mr. DODD. That is right.

Mr. MAHON. Is the world demand for American cotton such that there is no problem of disposing of our surplus cotton abroad?

Mr. DODD. No, sir; it is not. But you must remember that a large part of this cotton is going into the occupied areas, where we have a good deal to say about what cotton goes in there.

Mr. MAHON. Sixty-eight percent of the export is going to occupied areas, but the remaining portion would not; I do not mean the occupied areas, I mean the ERP areas.

Mr. DODD. But the large part of that will go to western Germany; that is, a good share of it will go into western Germany.

The CHAIRMAN. According to the table that we were given yesterday, the cotton to go to ERP territory would be 5,900,000 bales.

Mr. DODD. That is total shipments; that is not just from the United States.

The CHAIRMAN. It does not say where it is to be from.

Mr. NORTHROP. For 1948–49, Mr. Chairman—these are in metric tons, which I cannot convert quickly to bales—but out of the 521,000 metric tons of exports from the United States—and that would be the same as this 2,397,000 bales; that is the equivalent of 521,000 tons—that is distributed by countries, the greatest amount is estimated for the United Kingdom at 132,000 tons; France is next with 117,000 tons.

Incidentally, all these figures are in this brown book, Mr. Chairman; Italy, 93,000; western Germany—Bizone, 44,000; the French zone, 11,000. I could give you the whole list, if you would like to have it, very easily.

Mr. MAHON. Do you mean that there is a world surplus of cotton above the world demand for cotton?

Mr. DODD. No, there is not at the present time.

Mr. MAHON. Are we using any pressure in negotiation in order to more or less compel these ERP countries to take this cotton?

Mr. DODD. No. But when you do not have ample stocks in the world, you do not have a surplus. Naturally, where they can get the qualities that they want——

Mr. MAHON. This carry-over which is estimated to be 2.5 million bales on next July 1—that is, 1949——

Mr. DODD. That is a lot of carry-over.

Mr. MAHON. Is that too low or is it too high?

Mr. DODD. No, I think it is about right. We have got to have about that much in our mill stocks, and in the pipe lines in this country; we have got to have about that much carry-over.

Mr. MAHON. Does this not mean automatically that the domestic price of cotton will be rather firm throughout this period?

Mr. DODD. Yes, I would think so. If the domestic demand holds up and there is your foreign demand and it is what we think it will be, it means that you are going to have a fairly firm price on cotton.

Mr. MAHON. Will the producers of Brazilian cotton also have a good demand for their product, as well as the producers of other cotton?

Mr. DODD. I think they will.

Mr. MAHON. And that is for——

Mr. DODD. 1948–49.

Mr. MAHON. I do not want to put you in the field of speculation too much, but what does it took like after that?

Mr. DODD. I think that will depend on world conditions a good deal. But it would look to me, from the United States farmers' standpoint, that we have got a pretty good market in sight if we do not overdo the thing, for some 2 or 3 or 4 years ahead.

Mr. MAHON. Does this whole ECA program coordinate itself with this proposed revolving fund for the handling of cotton purchases in occupied countries?

Mr. DODD. No, that is a separate program, outside of this ECA.

Mr. MAHON. But does it correlate itself to this program?

Mr. DODD. Of course, the largest part of our exports under that program would be to Japan. That is for the manufacture of textiles in Japan, to be sold pretty largely in the Far East; traded for copra and other things that we need that are there. That is where we disposed, of course, of a large part of our carry-over that we had at the end of the war.

Mr. MAHON. Then the program contemplated for the disposition of American cotton is such that——

Mr. DODD. It would look pretty good.

Mr. MAHON. It would look pretty good and we do not need to look further for other avenues or outlets at this particular time, for cotton?

PROBLEM OF MAINTAINING EXPORT OUTLETS FOR CERTAIN CROPS AT TERMINATION OF ECA PROGRAM

Mr. DODD. I think you had better keep looking for outlets for three or four of our big crops; you had better keep looking for those.

Mr. MAHON. I agree with you, but I mean temporarily the outlook is fairly good.

Mr. DODD. The temporary outlook is pretty good.

Mr. STEFAN. What are those three crops, Mr. Dodd?

Mr. DODD. I think wheat is going to be one of your big ones, because we have got a production plant, farm production plant in this country that can produce more than we can possibly use.

Mr. STEFAN. What else?

Mr. DODD. Probably rice is going to be a headache for quite a long time. Tobacco is one of your real headaches. If we cannot open up some markets for tobacco, we are going to have a real headache there. We have an acreage allotment reduction of 27 percent this year in flue cured tobacco largely because of the shrinkage of foreign markets. We became aware of this shrinkage last year after the

farmer's crop was all planted. We thought that the British and other Europeans were going to take a large amount, but they were not able to do so. It was a severe adjustment for the tobacco growers.

As to rice, I think there is no question that we have increased production a good deal more than can be used in this country and in the Caribbean areas and we are going to have to cut back on it or else we will have more than we can use.

Mr. KEEFE. The ECA program will go a long way toward solving the present needs?

Mr. DODD. It will, so far as tobacco and wheat and cotton are concerned; that is right.

Mr. KEEFE. That is, at the present time?

Mr. DODD. That is right.

Mr. KEEFE. If anything happens to that program, and at the conclusion of it, if it ever does conclude, that is the time you are pointing to, as I understand it, Mr. Dodd, when some very severe readjustments will have to be made.

Mr. DODD. That is correct, Mr. Keefe. What I am trying to say is—and I am sure that I have said it very badly—that under the impetus of the war and increase in our mechanization, we have built a farm plant in this country that is larger than we can use. We cannot use all of the production from that farm plant, unless we find outside markets. During the war we had to drive to get maximum production.

Mr. KEEFE. And our method of taking care of that production now, of course, is to give those surpluses away, to reconstruct the countries that are within this plan?

Mr. DODD. Well, I think personally that this program, the ECA, can be one of the greatest contributions to peace that we can ever make.

Mr. KEEFE. I am not arguing that. I voted for the program. But when that program has come to a conclusion, if we have not in the meantime discovered some way to utilize the end product of this great agricultural machine that we have developed and which we are keeping going under the impetus of the ERP program, we then will be faced with the very desperate situation as to how to get rid of those products; isn't that true?

Mr. DODD. I agree with you 100 percent. When I came down to Washington in 1924, and '5 and '6, with my home Senator, Senator Charles McNary, we were trying to find a way to open up a market for wheat growers, because we were in trouble, I do not mind telling you, in the far West, with wheat production. We thought at that time that if each wheat grower would make a little contribution, we could throw it into a pot for that export debenture plan, which you will recall, so that we could make the wheat available to people that needed it, countries that were not developed to the extent we were, countries whose economic conditions were less favorable than ours. It would be good for us to have an outlet for that crop and to help those people get on their feet; it would be better than to smother ourselves with our own production. We were unable to get that worked out and we did get smothered with a good deal of our production.

Mr. KEEFE. Of course, and as a matter of fact, there is a certain level of the disposition of the crop surplus which compels us, perhaps, to the belief that it might be just as well to give it away as it would

be to keep it here as a constant threat over the price structure domestically. But when you get beyond a certain figure, then you get into an economic tailspin that nobody seems to have yet been able to figure out how to escape.

Mr. DODD. That is correct.

Mr. KEEFE. And then you have to turn to such things as crop reduction, allocation of funds by way of subsidy for crop reduction, and that sort of thing, which we have already tried.

Mr. DODD. And that is a terrible thing when you think that there are more people who go to bed hungry every night than the number of people with full stomachs.

Mr. KEEFE. Well, I have always thought so. I have heard a great many discussions on this matter, but what worries me is not what is going to happen next year or possibly the year following, but what is going to happen to the entire production machinery of this Nation; not only agricultural, but everything else, which is geared up to a tremendous productive capacity, due to the war and due to advancing skills, and all that sort of thing, when we have these other countries built up relatively to similar productive capacities and we have to compete with them in the world markets. It seems to me that we are not thinking enough about our own situation, but we are thinking too much of raising the standards of living in the other countries.

Mr. DODD. As far as food is concerned, I think that if you could raise the standard of living in other countries so that they could buy our food, it would be a great help to us, because an increase in population has been going on the world over.

Mr. KEEFE. As a theoretical ultimate objective, looking at it from the idealistic standpoint, certainly; no one would dispute that.

Mr. DODD. If you will look at some of these items, products we are using more of—let us take the first one that the chairman called attention to, meat: I think we could put down a million acres of this country to grass and raise more beef, and we can put more of our activity into the raising of hogs, because as long as our people are doing pretty well, they are going to buy more meat. We can use more meat.

We can use more milk and more dairy products of all kinds. We can use more of our land for the production of these things, and if we do, we will have a better diet, too.

The CHAIRMAN. This table does not indicate an increase in the consumption of fluid milk.

Mr. DODD. The table does not show fluid milk by itself, Mr. Chairman. There is an item down at the bottom labeled "Fluid milk and cream."

The CHAIRMAN. It says, "Whole milk equivalent, dairy products."

Mr. DODD. For fluid milk and cream, average consumption during the 1935–39 period amounted to 340 pound per capita compared with 425 in 1946. And it was 398 pounds per capita in 1947, only because we did not have the supply. We did not have fluid milk and cream enough to supply the demands of the people. That figure would have been higher if we had had the fluid milk.

The CHAIRMAN. The over-all picture for milk products shows a drop from 801 to 776.

Mr. DODD. That is correct.

The CHAIRMAN. That is, in your forecast. I suppose that includes butter?

Mr. DODD. It does. In the fats and oils table you will see the butter. Look at the figure 16.7. That was the average per capita consumption in pounds during 1935–39. Our forecast for 1948 is 11.0 pounds.

PROCUREMENT OF FOOD COMMODITIES THROUGH NORMAL CHANNELS OF TRADE

Mr. MAHON. Will ECA purchases of these products like wheat, cotton, and tobacco, be made through the regular channels of trade and at regular prices in this country?

Mr. DODD. Yes; I do not think there is any question about that, with the possible exception of some of the surplus crops and of some of the scarce crops. If the grains are still as scarce in the world this coming fall as they have been in the past 2 years, probably the actual exporting will be handled through some combined agency. But on shipments from the grain elevator to shipside, most of that will be handled in the regular way, through the regular trade.

When you get into commodities like dried fruits that today are a drug on the market and that we are having to buy—we have had to buy about 300,000 tons of dried fruits—raisins and prunes and peaches and apples and those things, because the market is just loaded with them—the Commodity Credit stocks will be offered to ECA purchasers and we hope that they will take them off our hands.

Mr. MAHON. Will they be offered at a price that will not leave the Commodity Credit Corporation holding the bag?

Mr. DODD. That will be a negotiated deal. We hope so. The ERP legislation as passed included a provision permitting the Commodity Credit Corporation to take some loss.

Mr. STEFAN. Just one question. A little while ago I asked you about the top figure on meats, shown in this table, listing beef, veal, lamb and mutton, and pork. Adding those together in the first column, the average for 1935–39 is 125.6.

AVERAGE CIVILIAN CONSUMPTION OF DAIRY PRODUCTS, 1935–39

Now, your dairy-products column does not add up to 801, as shown on that table.

Mr. DODD. That is because the total of 801 is on the basis of whole-milk equivalent, and the various items shown separately—that is, cheese and condensed and evaporated milk—are on a product-weight basis. Butter should be included, too, and all these products converted to whole-milk equivalent.

Mr. STEFAN. That 801 includes cheese, condensed and evaporated milk, and fluid milk and cream. Now, you say that if you included butter, that would give you the total of 801?

Mr. DODD. If you take each of the components,—and the principal ones are cheese, condensed and evaporated milk, and butter, although there are a few not listed on the table—and convert them to whole-milk equivalent by multiplying by the appropriate factor, you would arrive at the 801.

Mr. STEFAN. And that would give you the figure 801?

Mr. DODD. Yes.

Mr. STEFAN. But it means that the top figure does represent the total consumption per capita per year.

Mr. DODD. That is correct.

DISCUSSION OF EFFECT OF FUTURE COMPETITION FROM EUROPEAN COUNTRIES UPON UNITED STATES EXPORT MARKETS

Mr. NITZE. May I say a word with reference to Mr. Keefe's question awhile ago? Canada has a population of only 11,000,000 people, approximately. It has an industrial economy as similar to that of the United States as any other country in the world, but it still is our best market. As I remember it, our exports to Canada run $1,800,000,000 a year and our imports run $1,200,000,000 a year. So, I do not think the fact that a country has developed necessarily means that our trade with them has to go down. In fact, I think it would probably go up, as they developed.

The CHAIRMAN. It would go down in this way: As these European countries get on their feet, and raise more of their own foodstuffs, something has got to break and the barriers are going to come down, because the Russians, while they have not yet gotten up to their prewar production on grains and food production, are going to get there, and they are going to crowd into western Europe with their products and destroy whatever market we might have for the grain that we will produce, to send over there. So that as far as our agricultural production is concerned, we will be in just about that situation before we get through. We cannot hope to hold that western European food market.

Mr. DODD. Of course, Russia is already making some pretty big deals for grains, both bread grains and coarse grains. I do not think we can expect to hold onto that market, but I think that it would take Russia a long time to get her production up to the point where she can satisfy the demands of western Europe.

Mr. KEEFE. We had a pretty good illustration of what the impact might be in the United States in the domestic fur business, just within the last year.

Mr. DODD. You mean imports?

Mr. KEEFE. Yes.

Mr. DODD. Yes, that is right. I am not very expertly informed on the luxury items, but they tell me—I do not know whether it is true or not—that the women quit buying silver fox and were buying some other furs and then, with some other imports, it made the situation worse.

Mr. STEFAN. You mean platina, which imitates silver fox?

Mr. DODD. I am not an expert and do not pretend to know very much about it.

Mr. KEEFE. I am not an expert, either, but I am familiar with it. To be sure, it was a combination of circumstances. But there was the impact of the tremendous amount of foreign furs that had accumulated during the war, that had not flowed into this market in such great quantity during the war, that was dumped on our market here, so that it could be used by our manufacturers at a very, very low price.

Mr. DODD. That is right.

Mr. KEEFE. That, coupled with changes in style, practically put our domestic fur business out of activity. I represent a district that has the largest domestic fur business in the whole United States. They are in tough shape. I do not know whether they can ever come back.

Mr. DODD. And that goes for a lot of our big fur handlers and fur processors. A lot of them had stocks at high prices and they found themselves bankrupt almost overnight.

Mr. KEEFE. When those folks over there in the Ukraine and in other grain-producing areas get into shape, it is to be assumed that they are not going to allow their grain to rot; they will enter into agreements and are doing so all the time.

Mr. DODD. That is right.

Mr. KEEFE. And they are going to compete in these markets. Competitively we are going to be up against the proposition where we have stimulated our own production to such high levels that unless we can find some way of disposing of our products, unless we continue under a policy of making ourselves rich by giving our stuff away, we will be in pretty bad shape. I do not see what the end is going to be.

Mr. DODD. So far as grain is concerned, I think the farmer can take that on competitively, if we get an even break and if there is not too much politics involved in it; I am talking about international politics and not United States politics. We can raise corn and wheat cheaper than any other country in the world. And our farmers can do it on a business basis, because we are mechanized and we have the knowledge required; we know the value of fertilizer and how to handle the land to the point where we can out-produce the Russians.

The CHAIRMAN. Do you know anything about the developments in Russia, what they have done with their farms?

Mr. DODD. I know a little about it. That is, western Ukraine and some Russian areas, such as Rumania——

The CHAIRMAN. Do they have any modern methods at all?

Mr. DODD. Not many; perhaps on a few of their farms.

The CHAIRMAN. Not many?

Mr. DODD. Not very many. Of course, under their collective system, they are attempting progress in that direction. But the worse thing that I saw over there—and I am sure that you folks who went over there saw some of it——

The CHAIRMAN. We did not get into Russia.

Mr. DODD. Particularly in Rumania, Yugoslavia, Hungary, and Poland—in what formerly was East Prussia and is now part of Poland—is this: The breaking up of those large farms, representing their surplus producing area. When they broke up those large farms, which formerly were mechanized, into 20- and 30-acre tracts, they lost all possibility of their contributing very much to the cities. You simply cannot compare the production from 20 acres by a single family with the operation by one man of a very large farming unit that is thoroughly mechanized, using hired labor. You lose your surplus of food immediately.

Mr. STEFAN. I do not think you are quite right about the Danubian countries, especially Hungary, because as they are breaking those large farms up, they are going to mechanize them, but do it in a cooperative way.

Mr. DODD. Yes; they expect to do that.

Mr. STEFAN. They have already started, as a matter of fact.

Mr. DODD. They were not doing a very good job about a year ago.

Mr. STEFAN. They have started to use their machines in a cooperative way.

Mr. DODD. They do not have too many people who know how to operate machines over there. They are short of mechanics and a lot of the know-how.

Mr. STEFAN. I saw some pretty good mechanics on farms in Hungary when I was over there.

Mr. DODD. They will have some and I do not think there is any question that eventually they will have perhaps as many as they need.

Mr. STEFAN. There is no better farmer in the world than a good Hungarian farmer.

Mr. DODD. That is right, for what he has to work with.

Mr. KEEFE. But we are going to have great difficulty in competing with the so-called slave labor, are we not?

Mr. DODD. Well, if Russia does what she has done many times before—she did it in 1931, when she took food away from her own people in order to export it, to get foreign exchange and in order to obtain a political advantage—we cannot compete with that kind of situation.

Mr. KEEFE. They were letting their own people starve.

Mr. DODD. A lot of them did starve. We cannot compete with a situation of that kind. But on a straight competitive basis our farmers, particularly in grain, can compete with anybody in the world.

The CHAIRMAN. And Russia will subsidize their exports, too?

Mr. DODD. Of course, if they do that, we are stuck, Mr. Chairman.

COTTON

SOURCE FOR PROGRAM

The CHAIRMAN. I have two or three questions I want to ask on these tables. Mr. Northrup, perhaps you can give me the source of the 2,600,000 bales which are going into this program outside of what comes from the United States.

Mr. NORTHRUP. We were talking about total imports to all countries of ——

The CHAIRMAN. 1,313,000 tons, which is 5,900,000 bales.

Mr. NORTHRUP. That is right. We are now talking in metric tons and that breaks down this way. 521,000 is estimated to come from the United States; 237,000 from other parts of the Western Hemisphere; i. e., South America; 414,000 from other nonparticipating countries, such as Egypt, and other cotton-growing areas.

The CHAIRMAN. That means India?

Mr. NORTHRUP. Yes, India would be included. 130,000 tons would come from the dependent overseas territories and go to the respective participating mother countries in Europe. Then there is a residual of 11,000 tons which completes the total, and which also is to come from the dependent overseas terrtories and destined for other participating countries.

I can give you the names of the various supplying countries included in each group without indicating the specific quantities each such country will supply if you are interested.

The CHAIRMAN. No; not particularly. I would like to have you tell us, as far as you can, who is going to pay for this.

Mr. NORTHRUP. I will ask Mr. Nitze to give that information.

ECA-FINANCED SHIPMENTS FROM WESTERN HEMISPHERE COUNTRIES

Mr. NITZE. On pages 4 and 5 of the thin brown book entitled "Proposed Distribution of Economic Cooperation Act Financing" is given the ECA-financed shipments from these Western Hemisphere countries only.

The CHAIRMAN. So really you do not have any statement showing that? I think we ought to have that information.

Mr. NITZE. That shows the total shipments from Western Hemisphere, with a break-down of shipments financed from various sources.

The CHAIRMAN. That would be on page 4, line 14, reading, total shipments from Western Hemisphere, totaling $790,000,000; financed by dollar earnings, $103,300,000; by loans and credits, $60,700,000, leaving $626,000,000 to be financed otherwise?

Mr. NITZE. That is correct.

The CHAIRMAN. And the ECA obligations out of that would be $511,300,000 for this particular period; is that correct?

Mr. NITZE. That is correct.

CARRY-OVER OF COTTON

The CHAIRMAN. On this cotton picture you have a set-up here, Mr. Dodd, where there seems to be a carry-over of 2.5 million, or about 20 percent, a little over 20 percent of the estimated production.

Mr. DODD. That is correct.

The CHAIRMAN. That seems to be about as little as you have had for several years. Why do you need to have as big a carry-over as that?

Mr. DODD. I think that most textile mills, Mr. Chairman, and most cotton handlers would tell you that they need to have a considerable amount of cotton in the pipe lines, coming from the warehouses and into the warehouses next to the mills, if they are going to keep their mills running without interruption.

WHEAT

DISCUSSION OF CARRY-OVER

The CHAIRMAN. Out of a wheat crop we will not keep 20 percent; we will keep approximately 6 percent.

Mr. DODD. I think between 10 and 15 percent.

The CHAIRMAN. Six percent is what it was last year, and for next year if we have a carry-over of 100,000,000 that will be——

Mr. DODD (interposing). Our carry-over in July 1, 1947 amounted to about seven percent of the crop. At the present time it looks like we might have a carry-over of something like 175,000,000 to 185,000,000 bushels on July 1, 1948.

The CHAIRMAN. As much as that?

Mr. DODD. That is what it looks like now; yes.

The CHAIRMAN. If you put a 100,000,000 limitation you would not have that amount.

Mr. DODD. If we had that lower limitation then we might reduce our prospective carry-over somewhat.

The CHAIRMAN. How would you do that?

Mr. DODD. Because we might ship additional quantities.

The CHAIRMAN. Why do you need such a large percentage of carry-over?

Mr. DODD. Historically we have always had about that amount in order to give us protection against a poor harvest and in order to maintain an equitable distribution as among the various grades and kinds of wheat in this country during the short period before the new harvest.

The CHAIRMAN. Did that occur in the period prior to the Commodity Credit operation?

COTTON

AVERAGE CARRY-OVER, 1920 TO DATE

Mr. DODD. Yes; from 1920 to 1932. With respect to cotton I will give you this table, if you wish to look at it—which shows the carry-over of cotton from 1920 to date; you will note the average there is around 1.5 million.

The CHAIRMAN. So much in stock.

Mr. DODD. That is right; you will notice it runs that way until we get down to the thirties.

The CHAIRMAN. We ran a rather large figure in the period right after the first war; then we struck a period in 1924, 1925, and 1926 when we were down quite considerably below; down about 10 percent; and then we went up again; and then it went down again in 1929, 1930, and 1931, and then we went up again after that.

Mr. DODD. Yes, the carry-over reached a very high figure.

The CHAIRMAN. We got up to around 11,000,000 bales.

Mr. DODD. Yes; we reached a carry-over of that size beginning with the 1938–39 marketing year.

The CHAIRMAN. How did we get up to 11,000,000 bales?

Mr. DODD. Largely because of the tremendous crop of almost 19,000,000 bales in 1937.

The CHAIRMAN. 1946 and 1947 seems to have been large; in 1945 and 1946 the carry-over was 11,000,000 bales.

Mr. DODD. That is right.

The CHAIRMAN. Why did we have such a big carry-over?

Mr. DODD. We could not sell the cotton.

The CHAIRMAN. We could not sell it?

Mr. DODD. At that time nobody would buy at the price.

The CHAIRMAN. The price was too high?

Mr. DODD. We had about 9,000,000 bales, and we had more cotton than the mills would take.

The CHAIRMAN. We had a shortage of cotton cloth.

Mr. DODD. The spindles were used during the war on other materials.

The CHAIRMAN. For war things?

Mr. DODD. For Army cotton contracts, and they could not spin regular cotton cloth for normal civilian consumption at that time.

The CHAIRMAN. They could not use the spindles on cloth?

Mr. DODD. They were using the spindles for making cloth under Army contracts; that is what I am trying to say.

The CHAIRMAN. They could not use them on cotton but were using them on other raw materials?

Mr. DODD. On some cotton, and a combination of wool and cotton. But they could not use the spindles on cotton textiles for civilian use, as formerly. As soon as the war was over more normal spinning operations were resumed and this pulled down the stocks to some extent; then exports of cotton were increased too after the war.

I thought you might be interested in that historical statement on the table.

The CHAIRMAN. Yes.

Mr. DODD. I do not think 2.5 million bales is very much trouble to us in order to supply the cotton where the mills can use it.

EXTENT OF ENCOURAGEMENT IN OCCUPIED AREAS FOR USE OF COTTON

Mr. MAHON. In connection with the discussion about the cotton, I realize you cannot tell us too much about the use of cotton, but you have discussed the corn situation and the cotton situation. Now, in this program, so far as you know, is any effort going to be made to encourage the occupied areas to consume cotton rather than to produce rayon substitutes, for instance?

Mr. DODD. Yes; we are doing that every day.

Mr. MAHON. How are you doing it?

Mr. DODD. Well, let us start with Japan: As you may recall, the commodity Credit Corporation did make available to General MacArthur, for spinning in that country, large quantities of cotton; they could use the low grade, short-staple cotton in Japan.

Mr. MAHON. Yes; I am aware of that shipment.

Mr. DODD. We shipped over something like $200,000,000 worth of cotton to Japan.

Mr. MAHON. Yes.

Mr. DODD. Which they spun into textiles and sold in the Far East and around that area enabling them to make payments to us after the cotton was spun and the textiles disposed of.

The same thing is true in Germany: We are making similar deals with General Clay, and the folks who are responsible for carrying on the program. We have even gone to the extent of extending credit to the Army in the occupied area until such time as the cotton can be spun and sold.

Mr. MAHON. Yes. I personally feel that that is the right thing to do, that we should help the American producers as much as we can, particularly since such a program is not injurious to the economy of these other countries.

Mr. DODD. It helps them; it helps their economy very much.

Mr. MAHON. And as far as you know the program will continue of finding consumption of American cotton in these occupied areas?

Mr. DODD. I do not think there is any question about that. Perhaps Colonel Blumenfeld would care to comment on that.

Colonel BLUMENFELD. I can say this, Mr. Chairman, that the total imports in 1947 from United States were approximately $21,000,000; and for first year of the ECA program it is contemplated that the imports from the United States will be $37,000,000.

Mr. MAHON. Of cotton?

Colonel BLUMENFELD. Yes; that the first year the imports of cotton from the United States will be approximately $37,000,000, or close to $16,000,000 more of the United States cotton going to Germany.

QUESTION AS TO UTILIZATION OF SURPLUS COTTON IN ECA COUNTRIES, AND OTHER COUNTRIES

Mr. MAHON. In the participating countries, not including the occupied areas, is there any thinking on this subject?

Mr. DODD. I am sorry, I did not get your question, Mr. Mahon.

Mr. MAHON. In this program, so far as the 16 nations outside of the occupied areas are concerned, what is the thinking there as to the utilization of the surplus American cotton for the present and future as it relates to the production of rayon and other textiles?

Mr. DODD. I do not know that these figures that Mr. Nitze has presented to you indicate that; but they say they would like to have our cotton; the manufacturers want it, and I think if they are going to standardize their economy the plan would involve the use of a large amount of cotton rather than substitutes.

Mr. MAHON. Mr. Nitze, will you supply for the record such information as you have available with respect to the continued use of cotton, not just for the present but for the future?

Mr. NITZE. Yes.

(The information requested follows:)

USE OF COTTON IN OCCUPIED AREAS AND IN PARTICIPATING COUNTRIES

There is complete recognition in the Government agencies of the fact that furnishing cotton to the occupied areas and to the participating countries serves two purposes: It enables the countries in question to rehabilitate their textile industries giving employment to large numbers, and it also provides much-needed clothing for the populations of the importing countries.

Responsibility for the administration of the occupied areas rests primarily with the Department of the Army, but the Department of Agriculture and other interested Government agencies have consistently favored meeting the cotton requirements of these areas whenever and to whatever extent the cotton could be economically used.

ECA similarly, it has been felt that the cotton requirements of the countries should be met insofar as the cotton could be used to the economic advantage of those countries.

Raw cotton: Apparent United States exports, 1947–48, 1951–52

[Thousand bales]

	1947–48	1948–49	1949–50	1950–51	1951–52
United States cotton available for export	[1] 2,689	[2] 3,500	3,500	3,750	4,000
Probable exports:					
CEEC countries:					
Austria	23	95	60	69	83
Belgium	133	178	115	115	115
Denmark	9	27	28	28	28
France	279	540	557	589	616
Greece	19	27			
Ireland	2	8	9	9	9
Italy	229	430	432	432	432
Luxembourg					
Norway	5	11	9	9	
Netherlands	86	100	152	161	166
Portugal	2	8	9	9	9
Sweden	43	70	69	69	69
Switzerland	24	42	41	46	69
Turkey					
United Kingdom	313	607	621	649	681
Western Germany	180	257	294	327	368
Total	1,347	2,400	2,396	2,512	2,645

[1] Increase of 189,000 bales in crop estimate Dec. 8, 1947, increases this a like amount from 2,500,000.
[2] Possible that enough will be available to meet export program. Otherwise carry-over could take care of apparent deficit.

Raw cotton: Apparent United States exports, 1947–48, 1951–52—Continued

[Thousand bales]

	1947–48	1948–49	1949–50	1950–51	1951–52
Probable exports—Continued					
Other countries:					
Australia	30	40			
Canada	225	250			
China	350	389			
Cuba	30	30			
Czechoslovakia	15	30			
Finland	35	35			
Hungary	10	10			
India	0				
Japan	550	400			
Poland	35	35			
Spain	0	0			
Yugoslavia	0	0			
All others	20				
Total	1,300	1,219	1,104	1,238	1,355
Total exports	2,647	3,619	3,500	3,750	4,000

Source: Compiled from reports of United States cotton working group, ERP.

TOBACCO

DISCUSSION OF CARRY-OVER

The CHAIRMAN. Now with respect to the tobacco carry-over. How would that crop compare with other years?

Mr. DODD. We have had, for this year, a reduction in the average allotment of flue-cured tobacco of 27 percent. If we do not have these exports—as you will note, the export figures here show around 595,000,000 pounds for 1948–49—we would have to consider this tobacco in the carry-over figure at the end of the year.

The CHAIRMAN. Is it 595,000,000?

Mr. DODD. That is correct, 595,000,000 pounds.

The CHAIRMAN. That seems to be not far from what it has been in the last 2 years.

Mr. DODD. Last year, of course, we lost some sales to Britain right at the end of the year. That in part pulled exports down to 487,000,000 pounds. Otherwise I think that figure would have been close to 600,000,000 pounds last year.

The CHAIRMAN. The crop was almost double, was it not?

Mr. DODD. Of what it was prewar.

The CHAIRMAN. Yes.

Mr. DODD. That is correct.

The CHAIRMAN. Why is the crop so much with all of this carry-over, or carry-in, whatever you call it?

Mr. DODD. The carry-in is included in the total supply figure.

The CHAIRMAN. With all of these figures piling up why is the crop so big?

Mr. DODD. There again it is partially because of the increase in British tax or import duty last year; then, the carry-over this year of 3,407,000,000 pounds of course is largely the result of growing a crop after the loss of a great portion of the British market, and we could not do anything about it. The estimated production for this year is 1,760,000,000 pounds, as compared with 2,168,000,000 last year, and that includes flue-cured tobacco as well as other kinds.

The CHAIRMAN. Is tobacco under control?

Mr. DODD. Yes; under very tight control.

The CHAIRMAN. It would seem with that picture, if you wanted to preserve the tobacco market, the production should be brought down somewhere near the prewar figures.

Mr. DODD. Most of the production of Burley tobacco, and several of the minor varieties is consumed in this country to a much greater degree than prewar.

The CHAIRMAN. You do not have much carry-over stock in those?

Mr. DODD. Yes, we have; more so in the dark types than in Burley.

The CHAIRMAN. Not in Burley.

Mr. DODD. Well, some in Burley; the largest stocks are in flue cured.

The CHAIRMAN. That shows 151,000,000 pounds in this loan set-up as of January 31?

Mr. DODD. We had about 485,000,000 pounds of tobacco under loan as of January 31, 1948, and we have probably more than that now.

The CHAIRMAN. This page of figures I have does not show the loan set-up.

Mr. DODD. It should show the amount in stocks.

The CHAIRMAN. It shows a small amount but it does not show a break-down of that.

Mr. DODD. I can get you the figures for that, but I think the figure now is higher than it was on January 31. There has been a great deal of tobacco going into loan since that time.

The CHAIRMAN. It seems that you should get down to prewar and ask the people who are raising tobacco to raise corn, or something of that kind, where the consumption demand is higher.

Mr. DODD. We have cut down the acreage this year some 25 percent.

The CHAIRMAN. Even so, your estimated crop is 400,000,000 pounds above.

Mr. DODD. Above prewar?

The CHAIRMAN. Above prewar.

Mr. DODD. That is correct, but much of that will be burley and other types for domestic consumption.

The CHAIRMAN. Burley I think represents about a third of the carry-over.

Mr. DODD. Nearly; yes, nearly. Of course, we have always sold burley for export along with flue cured, too, for processing abroad. I do not think burley stocks will hurt so much, but flue-cured stocks, dark fired and dark air-cured stocks will pile up if we do not get an export market.

SOURCE OF PRODUCTION

Mr. STEFAN. I wonder if we could find out the source of the tobacco, while we are discussing that subject? Mr. Case was interested in knowing where this tobacco came from. He mentioned Ohio, Pennsylvania, and some of the other States. Do you have a break-down showing where the tobacco is going to come from?

Mr. DODD. We have not had any as yet.

Mr. STEFAN. But you are going to have exports. Can you give a break-down by States showing where it is going to come from?

Mr. DODD. You mean the production in this country?

Mr. STEFAN. Yes; where is it produced; that is, that part of it that is included in the program.

Mr. DODD. You mean in the ECA program?

Mr. STEFAN. Yes.

Mr. DODD. We have not had that question to answer as yet.

Mr. MAHON. Could you just tell the kind of product involved?

Mr. STEFAN. And break it down by where it is to come from.

Mr. MAHON. Of course you could not necessarily break it down as to the source of the bales of cotton and tell from what State it comes. I do not know whether that can be done as to tobacco.

Mr. STEFAN. Mr. Case was very much interested in knowing whether it will come from Ohio, Pennsylvania, and other States.

Mr. DODD. I do not believe we could give you any exact figures as to the source of the tobacco.

Mr. STEFAN. I am referring to that part of the tobacco to be covered by this program.

Mr. DODD. From the States of Georgia, North Carolina, South Carolina, Virginia, Kentucky, Tennessee, and some little from West Virginia and other tobacco-growing States.

Mr. STEFAN. Just put a statement in the record covering that if you will.

Mr. DODD. Yes, we can indicate the areas of production in this country for the various kinds.

Mr. STEFAN. When you go over your testimony will you include a statement indicating where they are to come from?

Mr. DODD. We can give you the sources of production. But when a British buyer comes over here he would begin buying tobacco in the States where the auction markets open first.

Mr. STEFAN. Will he buy any in Pennsylvania or in Ohio or Wisconsin?

Mr. DODD. That tobacco is the cigar-leaf tobacco; we have never exported, so far as I know, very much of that tobacco.

Mr. STEFAN. Most of it is consumed in this country?

Mr. DODD. Yes; that is for cigars.

The CHAIRMAN. Some of it goes to Cuba for wrappers, does it not?

Mr. DODD. We import it from Cuba.

The CHAIRMAN. We do not supply Cuba with wrappers for Cuban cigars?

Mr. DODD. No; they supply us with some wrappers.

The CHAIRMAN. I thought it was the other way around.

Mr. STEFAN. Can you supply for the record a statement showing where the tobacco comes from?

Mr. DODD. We can tell you the areas of production of all the types, and also indicate what exports have been.

(The following information was submitted later:)

Tobacco: Total exports and exports to participating countries from the United States, by kinds, 1935–39, prewar average, and 1946 and 1947

(Thousands of pounds, export weight, calendar-year basis)

Kind of tobacco	Total to all countries			Total to ERP countries [1]		
	1935–39 average	1946	1947	1935–39 average	1946	1947
Flue-cured	312,889	545,705	400,086	227,736	436,315	300,008
Fire-cured	59,870	39,516	29,931	49,090	34,411	24,351
Burley	10,635	35,126	43,010	8,537	30,351	37,527
Maryland	5,390	6,397	6,316	4,966	6,078	5,769
Dark air-cured	10,980	10,715	7,376	3,881	5,756	2,793
Perique	132	176	139	102	169	138
Cigar leaf	1,269	4,975	6,117	719	4,153	4,895
Stems, trimmings, and scrap	19,632	20,552	14,190	2,919	3,076	1,951
Total	420,797	663,162	507,165	297,950	520,309	377,432

[1] Dependent overseas territories.

Source: Bureau of the Census, U. S. Department of Commerce.

Tobacco: United States production by kinds and by States, 1935–39 prewar average, and 1946 and 1947

[Thousands of pounds]

Kind of tobacco and State	1935–39 average	1946	1947 [1]
Flue-cured:			
Alabama	[2] 216	288	340
Florida	12,775	19,176	23,256
Georgia	82,461	109,725	129,250
North Carolina	588,485	912,970	900,100
South Carolina	100,694	171,825	153,000
Virginia	79,075	138,040	125,400
Total, flue-cured	863,706	1,352,024	1,331,346
Fire-cured:			
Kentucky	39,966	40,460	34,815
Tennessee	44,767	52,200	41,810
Virginia	18,804	17,160	14,722
Total, fire-cured	103,537	109,820	91,347
Burley:			
Indiana	8,170	13,390	12,740
Kansas	307	345	285
Kentucky	218,799	427,525	348,670
Missouri	4,966	7,425	5,040
North Carolina	7,078	14,455	15,360
Ohio	10,905	14,872	15,210
Tennessee	52,445	112,880	99,280
Virginia	10,718	19,688	18,400
West Virginia	2,355	3,424	3,625
Alabama	[2] 138	0	0
Total, burley	315,881	614,004	518,610
Maryland:			
Maryland (total)	28,845	47,000	38,400
Dark air-cured:			
Indiana	387	220	210
Kentucky	29,906	37,900	32,682
Tennessee	3,230	6,625	5,520
Virginia	2,769	3,933	2,590
Total, Dark Air-Cured	36,292	48,678	41,002
Perique:			
Louisiana (total)	192	150	249

See footnotes at end of table, p. 418.

Tobacco: United States production by kinds and by States, 1935–39 prewar average, and 1946 and 1947—Continued

[Thousands of pounds

Kind of tobacco and State	1935–39 average	1946	1947 [1]
Cigar leaf:			
Pennsylvania	37,896	59,124	61,100
Ohio	15,196	6,188	7,500
Massachusetts	7,479	10,314	11,240
Connecticut	20,457	24,530	24,516
New York	991	1,080	1,080
Wisconsin	25,275	41,735	35,930
Minnesota	476	875	720
Georgia	1,020	812	882
Florida	3,019	3,075	3,780
Total, cigar leaf	111,809	147,733	146,748
Total United States	1,460,262	2,319,409	2,167,702

[1] Preliminary.
[2] Average 1937–39.

Source: Reports of the Crop Reporting Board, BAE.

Mr. STEFAN. Mr. Case was anxious to know where the purchases are going to be made.

Mr. MAHON. It is clear that the exports are going to come from the Southern States if the northern product is not exported.

Mr. DODD. That is correct. The Burley source largely is Kentucky, some from Tennessee as well as other States; much of that is home consumed. But they also grow Dark Air-Cured and dark fired tobacco in Kentucky and Tennessee; a lot of that is exported. We make some of it into chewing tobacco in this country.

Mr. STEFAN. Brown Mule.

Mr. MAHON. The Ohio and Pennsylvania is the long leaf tobacco which is not exported?

Mr. DODD. The exported tobacco is principally the flue cured which is grown in North Carolina, Georgia, Virginia, South Carolina and Florida. It is used with Turkish tobaccos and mostly for cigarettes.

For instance, a British buyer may come over here when the auction markets first open at the end of July and he may buy some tobacco in Florida, may start in Florida and follow the markets on North but there would be no way by which we could say how much he buys in any market.

Mr. STEFAN. I see.

Mr. DODD. The tobacco, of course, will vary in quality from one market to the other.

Mr. STEFAN. For the first 12 months of the ECA program the purchases are going to be $110,200,000 of tobacco; and on a 15-month basis, $138,400,000 worth of tobacco to come from the States you have mentioned.

Mr. DODD. Those figures are in accordance with the illustrative example which has been presented to show ECA obligations for these two periods, and thus might include some ECA dollars to be spent in the Western Hemisphere but outside of the United States. The value of tobacco proposed for import from the United States during 1948–49 amounts to 219 million dollars, and for the fifteen months amounts to 274 million dollars.

Mr. STEFAN. Very well.

Mr. DODD. Does that answer the question you have in mind?

Mr. STEFAN. Yes.

PURCHASES OF AGRICULTURAL COMMODITIES BY THE ARMY

When the Army turns over money to you to buy either cotton or any other agricultural materials, and when the ERP turns over to you money to buy cotton and other materials would you give priority to those in the occupied areas, the Army, or would you give the ECA priority?

Mr. DODD. We have not had occasion to do either.

Mr. STEFAN. You have already gotten $63,000,000 of ERP money.

Mr. DODD. But we have not had to consider priority, because we had the materials requested.

Mr. STEFAN. You now have money from the Army.

Mr. DODD. Yes.

Mr. STEFAN. To feed the occupied areas?

Mr. DODD. Yes, for the purchase of commodities.

Mr. STEFAN. And you will have money for the ERP; which will you give priority to?

Mr. DODD. The supplies have been such that we have not had to consider the question of priority; the supplies have been sufficient to take care of both.

QUESTION AS TO PERSONNEL TO HANDLE COMMODITY PROGRAM FOR ECA AND GARIOA

Mr. STEFAN. Do you have to put on any additional personnel to deal with the two agencies?

Mr. DODD. No.

Mr. STEFAN. Do you think the one agency can handle that?

Mr. DODD. Yes, CCC can handle both programs.

Mr. STEFAN. Without additional bookkeeping?

Mr. DODD. No; you would have to have another account.

Mr. STEFAN. You have to have another account on the books.

Mr. DODD. Yes; but when wheat is bought for movement to the terminal warehouse for delivery aboard ship, it does not make any difference whether it is for ECA or for the Army's use in Germany.

Mr. STEFAN. One is for ECA and the other for the Army?

Mr. DODD. That is right.

Mr. STEFAN. And you are not going to have any additional bookkeepers to take care of that situation?

Mr. DODD. No; we believe we can handle it just as we are.

Mr. STEFAN. Without any additional bookkeepers.

Mr. DODD. We have not had any additional, thus far.

Mr. STEFAN. And you do not feel you will need any more personnel under this program where the materials go to the two agencies?

Mr. DODD. No; I think the combined program could be handled in the same way.

Mr. STEFAN. What do you mean by the combined program?

Mr. DODD. We will have the ECA and the occupied-areas program. The situation probably will be little different than it has been since

in the past we have made purchases for several different programs: the Army program for one, and then we have made some purchases for certain cash-paying foreign governments.

Mr. STEFAN. That is what you mean by the combined program?

Mr. DODD. Yes.

Mr. STEFAN. In the combined program you mean you will have one set of people working on both?

Mr. DODD. Yes; we have had that all the time, when we were buying wheat.

Mr. STEFAN. Here is what I want to know: We have made appropriations for feeding the occupied areas, and we have had information that the Army has set up a program, for instance, in Germany, and along comes the State Department and said it was going to take over the job in Germany; that they were going to take over the job from the Army and run this program. Is the Army going to turn over its employees to you, or what is the set-up in the program when the State Department told us that the State Department would run it?

There was considerable protest that it would break up the organization that was carrying out the program that had been set up. Then, they changed again and decided to leave it in status quo, and that the State Department would step out and the Army would ge ahead with it. Do you know whether or not under that program there is going to be one organization to buy commodities for the relief of the occupied areas and another for the ECA, or will there be two separate organizations?

Mr. DODD. As far as we are concerned in the Department of Agriculture, Mr. Stefan, we will do the buying on the basis of orders that come to us.

Mr. STEFAN. You will continue whether there are 15 agencies running it or 2?

Mr. DODD. Yes; we will buy for any of them provided they put up the cash required.

COORDINATION OF ECA AND GARIOA PROGRAMS

Mr. STEFAN. Now, in the matter of any future programs, or with any programs, are we going to get the program coordinated so it can be run in a businesslike manner; are you working to have each run as a separate program, one for relief and the other for rehabilitation of foreign countries? What do you know about that, Mr. Nitze; do you find they are coordinating this program so it can be run in a businesslike way?

Mr. NITZE. The ECA will run the economic cooperation part of the United States Government activities.

Mr. STEFAN. Will they take over the activities in the occupied areas?

Mr. NITZE. Well, the thought was there would be a different type of responsibility in the occupied areas from the ECA program in other areas.

The CHAIRMAN. Are you going to have two sets of employees or will there be one set-up for both?

Mr. NITZE. The thought has been that there will be one set-up for the occupied area of Germany, for instance, and the other would be for ECA.

Mr. STEFAN. The plan had been for the State to take over.

Mr. NITZE. Yes.

Mr. STEFAN. And that plan was changed.

Mr. NITZE. Yes.

Mr. STEFAN. Why did they change and leave it to the Army?

Mr. NITZE. I understand the foreign situation became somewhat serious and it was thought advisable that the Army continue.

Mr. STEFAN. Why cannot the ECA run the whole thing?

Mr. NITZE. It looks now as though the situation in Germany is one where it would be better for the Army to continue to control in the occupied areas than have a civilian agency.

Mr. STEFAN. Are you going to have two agencies running the relief program?

Mr. NITZE. I believe there will be only one agency actually conducting the operations within the bizone.

Mr. STEFAN. Except for the zones where the Army operate?

Mr. NITZE. The administration within Germany will be all in the Army's hands. There would be an allocation of funds and commodities to the Army to add to the funds which they have for GARIOA.

Mr. STEFAN. Would it not be on a more business-like basis if you coordinated the program under one agency to handle the business under one agency?

Mr. NITZE. I think it is important that there be one operating agency in occupied Germany, and that is to be the Army; it is to be the operating agency in Germany.

Mr. STEFAN. And another one some place else?

Mr. NITZE. You mean by the Army?

Mr. STEFAN (continuing). In spite of the fact that a certain percentage of the ECA was to go to Germany?

Mr. NITZE. A certain percentage of ECA funds would add to the GARIOA funds for Germany in order to relieve them and aid in the rehabilitation program.

Mr. STEFAN. For the Army to carry out——

The CHAIRMAN. Wait just a minute. The answer indicates that there is another set-up to run the rehabilitation, rather the relief program; is that correct?

Mr. NITZE. No, Mr. Chairman. The thought is that the operation in Germany would be solely in the Army's hands; that in addition to having just a government and relief in the occupied area, a rehabilitation program should be available under the ECA program, which would eventually get Germany off of the United States taxpayers' necks.

The CHAIRMAN. Is there any step being taken to get rid of those people in the antirecovery program of Germany?

Mr. DODD. I think there is.

The CHAIRMAN. That should be the first thing in the program, and we are not going to make any headway toward beginning the operations until there is. I have been trying to get action on that for quite awhile and I do not intend to let up.

Mr. NITZE. I can state——

The CHAIRMAN (continuing). The set-up is loaded with antirecovery folks, with people who are against Germany getting back on her feet so she can take care of herself in the years to come. I want to see that cleaned up before we begin putting up any more money.

Mr. NITZE. The State Department's policy is to clean it up. The Army's program was just a relief program in Germany. I think perhaps Colonel Blumenfeld might wish to talk to that point.

The CHAIRMAN. We would like to hear what you have to say, Colonel.

Colonel BLUMENFELD. I might add, Mr. Chairman, that in the preparation of the ECA program, which I have actually worked on with most of the committees, as the bizone representative, I have been in contact with Mr. Voorhees who handled the relief part of the GARIOA, and with the authorities in Germany who have worked on the recovery program.

Actually, while there are two functions, in a sense they are actually a part of the ECA, with Mr. Hoffman, and he hopes with some of the money that is appropriated that a part of the money will find its way into the over-all program of the bizone Germany, as set forth in these tables, to be added to the relief items handled by the GARIOA; that will also be included in items that are set up in the recovery items.

We have had a very practical illustration of how that works out under the original 30-day program which we are presently administering for bizone Germany.

In fact tentatively they allotted $25,000,000 for the first 30-day allotment and the Food and Agricultural group, the Army, Mr. Voorhees' office, and my office, on the basis of the recovery items, have been working together with the idea of developing an integrated program whereby we will take into consideration the agricultural commodities in the allotment tentatively made, just what items of food and grain would be financed, and what item or items of food, if any, which Mr. Hoffman is to administer, will be financed, and what recovery items which GARIOA will not finance; so that we are all working together in bizone Germany, both in the preparation and formulating the actual purchases.

And if I might speak for myself I think the whole program is being integrated, and while, as Mr. Nitze stated, the Army is to handle GARIOA appropriation to insure that proper measures are taken to prevent disease and unrest, I feel, and I think the Army feels, that the program is being integrated, and that we are working very closely with the Administrator, just as we have in the past with the IEFC Committee and with Mr. Dodd and the Department checking on stocks of foods, to assure that we had enough left to meet the needs of this country.

The CHAIRMAN. You did not say anything about getting rid of these folks over there that I referred to.

Colonel BLUMENFELD. Mr. Chairman, I certainly am in agreement with what you say about that. I spent 2 years over in Germany as deputy director under Mr. Draper, and I am sure some progress is being made in that direction.

The CHAIRMAN. Why not get the job done?

Colonel BLUMENFELD. I think that considerable progress has been made to get it done.

The CHAIRMAN. I know, but we want it done. That is the thing I am interested in; I believe in action.

Colonel BLUMENFELD. Yes.

The CHAIRMAN. I do not believe in dawdling with such a program.

Colonel BLUMENFELD. As I say, I am sure that considerable progress has been made in that direction.

The CHAIRMAN. It is about time it was completed.

Mr. NITZE. Would you not say, Colonel Blumenfeld, that the State Department has been extremely helpful in getting this recovery program for Germany under way, insofar as it has been possible.

Colonel BLUMENFELD. Yes. Of course each of the participating countries feels it should have more; but I think there has been a very cooperative effort made for the Army; and I think on this committee each member, from each department worked toward an integrated program. In a sense we were representing the claims for the bizone area.

ESTIMATED IMPORTS OF FOOD AND AGRICULTURAL ITEMS BY SUPPLYING AREAS FOR PARTICIPATING COUNTRIES, 1948–49

The CHAIRMAN. I have a few questions I want to get into the record. I have not checked the figures included on these large sheets, but do they add up for the different commodities, agricultural commodities, to the March 1948 estimates of table B, that you furnished the committee?

Mr. NORTHRUP. Yes. The import requirements shown in the column labeled "March 1948" on table B agree with those shown in this brown book.

The CHAIRMAN. I would like to have you submit for the record a table covering all of these commodities, with a break-down by sources, just like you broke down the information for cotton, and furnished to me a little while back.

Mr. NORTHRUP. We will do that.

The CHAIRMAN. I am not going to ask you to do that verbally, but I would like to see such a table, and will ask you to bring it up, if you can get it ready, by tomorrow afternoon; we will not have a meeting of this group tomorrow morning.

Mr. NORTHRUP. Would it be satisfactory to you, Mr. Chairman, to introduce in the record the figures from the brown book, which is the source of the information on the other table?

Mr. DODD. I understand the chairman wants a break-down by major supplying areas for each commodity, just as you had for cotton. Is that what you have in mind, Mr. Chairman?

Mr. CHAIRMAN. Yes.

Mr. DODD. Have it all included in one table rather than shown in separate tables as it is in the brown book?

The CHAIRMAN. Yes; because the statements in the book are not in such form as to be included in the record. I would like a table of the kind you previously supply the committee, which we can include in the record.

Mr. NORTHRUP. Just the totals for all countries.

The CHAIRMAN. Yes.

Mr. NORTHRUP. We will prepare such a statement.

(The information requested follows:)

Estimated imports of food and agricultural items, by supplying areas, for participating countries, 1948–49

[In 1,000 metric tons, except timber, 1,000 cubic meters]

Commodity	1948–49 estimated imports into 16 participating countries (and western Germany) from—						Total imports
	United States	Canada	Other Western Hemisphere countries	Other nonparticipating countries	Other participating countries	Dependent overseas territories	
01, 02 Total grains	7,485	5,905	4,360	3,780	120	60	21,710
03 Fats and oils	116	12	340	565	279	1,066	2,378
04 Oilcake and meal	198		1,176	427	40	909	2,750
05 Sugar	185		2,019	137	55	901	3,297
06 Meat	45	126	926	604	164	8	1,873
07 Dairy products, total	375	46	6	119	63		609
Cheese	90	22	6	106	28		252
Canned milk	160	16		5	27		208
Dried milk	125	8		8	8		149
08 Eggs (shell equivalent)	31	54	4	66	80	4	239
09 Dried fruits	121	1	1	99	251	20	493
10 Rice	19		30	38	53		140
11 Coffee			194	20		176	390
12 Other foods, total	535	185	333	1,264	774	1,235	4,326
Pulses	198	30	70	96	124	106	624
Fresh fruit	337	155	208	948	650	875	3,173
Cocoa			55			221	276
Tea				220		33	253
Total foods	9,110	6,329	9,389	7,119	1,879	4,379	38,205
13 Tobacco	198	7	20	10	47	41	323
14 Cotton	521		237	414		141	1,313
15 Nitrogen fertilizer	70		106		212		388
16 Phosphates, soluble				98	314		412
17 Potash				582	175		757
22 Timber [1]	1,835	4,783	407	8,490	7,929	775	24,219
34 Wool			113	661	94		868

[1] 1,000 cubic meters.

OILCAKE AND MEAL

The CHAIRMAN. I would like to take up the next item, "Oilcake and meal," and complete that this afternoon if we can.

First, will you tell us for the record, what is included in "Oilcake and meal"?

Mr. DODD. The major ones, Mr. Chairman, are soybean meal, linseed meal, cottonseed meal and cake, and peanut meal. There are some minor items—grapeseed meal and other protein-carrying meals, such as sesame seed meal; but the four that I mentioned first are the major ones. Possibly there might be included some copra meal, one of the cheaper meals, but generally local consumption will absorb the copra meal, and the exports will consist of the others.

Mr. MAHON. Mr. Chairman, I am quite familiar with oilcake and meal. It is used in vast quantities in the Southwest. At times it is manufactured in the form of cubes that are taken out and fed to the cattle on the prairies; particularly in the winter months a great deal of it is used.

Mr. DODD. And of course they use meal in mixed feed for dairy cattle, for chickens and hogs.

Mr. MAHON. It is very extensively used; the price is usually high, and the farmers and ranchmen are always complaining they cannot get enough meal to meet their demands. Of course, what we export will mean a lot of these farmers and ranchers are going to say, "Why do you not let us have a sufficient supply here?"

Mr. DODD. I think there is no question but what there will be a sufficient supply. We have a rather large quantity of oil cake and meal, more than the livestock people would require.

Mr. MAHON. At this time.

Mr. DODD. Yes, considering the production of oil cake and meal anticipated and the supply we now have.

The CHAIRMAN. The present supply?

Mr. MAHON. I have not checked on the supply recently, but I know for a number of years there were many complaints about not having a sufficient supply to meet the demands.

Mr. DODD. I think there is no question about that now, but during a part of the war period that was correct.

The CHAIRMAN. You do not show any carry-over for this year.

Mr. DODD. We do not, for meal.

The CHAIRMAN. No carry-over of oil cake and meal.

Mr. DODD. We do not show a carry-over for meal or oil cake as such, but it is carried over as soybeans, or peanuts, or flaxseed.

Mr. MAHON. We buy this oil cake and meal by the ton.

Mr. DODD. That is right.

Mr. MAHON. Approximately what is the price per ton now?

Mr. DODD. It will run from about $60 plus up to perhaps $90 per ton.

Mr. MAHON. Do you think the American economy can spare a considerable quantity of this oil cake and meal?

Mr. DODD. Yes; I do not think there is any question about it. If we do not export some of it we are going to have more on hand than we can use.

Mr. MAHON. Where will most of the oil cake and meal that is to be exported probably come from?

Mr. DODD. I think with the picture as it is now it probably will come from soybeans, which will be right out of the Central States. Flaxseed will come out of the North; and I think we have underway one of the largest crops of flaxseed that we have had in years. If the crop materializes then a larger portion of the supply will come from that area.

Mr. MAHON. In recent years they have told us from Texas they will not buy feeder calves to ship up to Iowa and Illinois and into the feeding areas, because of the scarcity of feed.

Mr. DODD. There is a scarcity; that is correct.

You have not had any trouble the last two winters with a shortage of meals in the corn-fed beef area. Of course, some of the cattle feeders use a good deal of mill offal, but generally the dairymen get there first. That is a big item in the manufacture of mixed feed in the dairy and poultry areas, which is pretty largely in the Northeast.

Before the war, we exported about 8 percent of our total production of oil cake and meal. Last year we exported only 1.7 percent of the total production and we contemplate we will export only about 3

percent this coming year, which is less than half of prewar in terms of percentage.

Mr. STEFAN. You supplement some of that with coconut oil meal; do you not?

Mr. DODD. Our figures include copra meal as well.

Mr. STEFAN. What percentage of that is copra meal?

Mr. DODD. A very small percentage is copra meal. The largest percentage probably would be soybeans, and next largest one probably would be peanuts.

Mr. STEFAN. And then cotton?

Mr. DODD. And then cotton; and linseed might be the lower one. As of today, if we were allowed to export a little more—that is, if the Food Committee had agreed to a little larger exportation—it probably would be of linseed right now.

Mr. STEFAN. Linseed would be the cheapest?

Mr. DODD. Linseed would be the cheapest today.

Mr. STEFAN. And coconut oil next?

Mr. DODD. Coconut oil is the cheapest, and linseed is next.

Mr. STEFAN. What is that—about 10 cents?

Mr. DODD. No; it is about $67 a ton, which would be about 3.5 cents a pound.

Mr. STEFAN. Last year it was 4½ to 5.

Mr. DODD. Of course, you sell it based on the protein content, and coconut oil averages from 20 to 22 percent; linseed runs 30 to 31; cottonseed runs from 36 to 43; and soybean would be 42 to 45 percent.

Mr. STEFAN. We use a tremendous amount of it in our district.

Mr. DODD. You bet.

EXTENT OF PRODUCTION OF OIL SEED CROPS IN PARTICIPATING COUNTRIES

The CHAIRMAN. Now, Austria is a small amount. I am not going into that, but why could not a country like Belgium be able to have a domestic production of a considerable quantity, instead of just a very minor production?

Mr. DODD. I do not believe that would be possible.

The CHAIRMAN. They cannot raise soybeans?

Mr. DODD. They have tried for years in Germany to step up the production of oilseeds; they conducted an intensive rapeseed program to try to get more oil production in Germany. It just has not been a profitable crop.

The CHAIRMAN. You cannot get it?

Mr. DODD. It is better to raise some other crop where you get much more production than you can of these oilseed crops.

The CHAIRMAN. Well, we get it in our northern climates.

Mr. DODD. Yes, sir.

The CHAIRMAN. And in a territory that is just as cold as Belgium.

Mr. DODD. Yes; but you do not have the same kind of summer.

The CHAIRMAN. You mean our summer is longer?

Mr. DODD. You have more sunshine and more hot weather, and you do not have as many cloudy, muggy, cold days as they do over there.

The CHAIRMAN. They have set up total imports considerably above the present year.

Mr. DODD. Historically, those people always have been large importers because of the fact they have had a large livestock economy. Over the prewar years Belgium, for instance, has to import on a per capita basis more than 100 pounds of oil meal.

The CHAIRMAN. Our consumption has gone away up.

Mr. DODD. That is right.

The CHAIRMAN. Is there as large a production in other places as there is in the United States?

Mr. DODD. Oh, yes; there is some.

The CHAIRMAN. Where?

Mr. DODD. The British are trying to develop an enormous output in South Africa. And in Argentina——

The CHAIRMAN. That is, trying. They have not got it yet?

Mr. DODD. They are producing together today, but not at anything like the rate we are.

The CHAIRMAN. Is Argentina producing much?

Mr. DODD. Argentina is a very large producer, and Argentina, since the war, has built crushing mills. They say they won't export any more flaxseed but are going to export the oil, and, of course, now, with the world shortage of oil, they can do it, but I doubt that this will be possible when the world gets a full supply of oil.

Mr. NORTHRUP. This appears on the table you have, but it is important to note that of the total imports of 2,750,000 metric tons to European countries, 1,176,000 tons will come from South American sources according to these estimates.

Mr. DODD. Brazil and Argentina are the two largest.

The CHAIRMAN. It shows in your book from whence it comes?

Mr. NORTHRUP. Yes; that will be shown by major supplying sources in the table you have asked for.

The CHAIRMAN. Denmark seems to show quite a large figure and quite a considerable increase.

Mr. DODD. Historically, I think Denmark has been the largest importer of oil cakes of any country except the United Kingdom.

The CHAIRMAN. I just do not understand yet why Denmark and Belgium would have to be financed in the ECA set-up, but we will get to that later, maybe, on the general picture.

Now, France shows a considerable increase here, but not as much as prewar. I would think those people would be able to raise such things.

Mr. DODD. They do raise a small amount.

The CHAIRMAN. Quite small, comparatively?

Mr. DODD. That is right.

The CHAIRMAN. Why cannot they step up their production?

Mr. DODD. They would have to do it at the expense of some other crop, mostly grain and pasture.

The CHAIRMAN. You mean they have not the land available?

Mr. DODD. That is right. Of course, that is one of our problems today. When we put in soybeans, we generally take it out of corn and oats.

The CHAIRMAN. In Greece, there is no export. They seem to raise enough to take care of themselves, practically.

Mr. DODD. There is a very small amount to Greece.

The CHAIRMAN. Ireland seems to have quite a little import. I would think they would be able to raise that in Ireland. And that

seems to be financed by ECA, also; but we will get to that on the financing question.

Mr. DODD. On a per capita basis, this would be just a little more than half of what Ireland used to buy prewar. They used to have 23.5 pounds available per capita, and this would allow them 12.4 pounds.

The CHAIRMAN. For Italy, there is not much comparatively, and they have some production but not too much.

The Netherlands show quite a big item of imports.

Mr. DODD. That is right.

The CHAIRMAN. And they cannot produce it there?

Mr. DODD. No, production has not been large in any of the Low Countries.

The CHAIRMAN. Norway is also a nonproducing country.

Mr. DODD. That is right.

The CHAIRMAN. Portugal—that is a new item for them. They did not have much to speak of before the war; they just used a little bit. Now you are giving them three times as much as they had prewar.

Mr. NORTHRUP. They are paying for it themselves. Maybe that is one answer to it.

The CHAIRMAN. If they are paying for it, all right.

The next is Sweden.

Mr. DODD. They are a nonproducer.

The CHAIRMAN. But they pay for it themselves, I suspect.

Mr. DODD. That is right; and Switzerland likewise.

The CHAIRMAN. Turkey is the same way; they raise it themselves. They are exporting a little.

The United Kingdom is 945,000 tons—not as big as prewar.

Mr. DODD. About four-sevenths or a little better.

Mr. NORTHRUP. It is only about three-quarters of what they would like to have from all world sources.

The CHAIRMAN. I thought they had a cattle industry that was bigger than prewar.

Mr. DODD. No.

The CHAIRMAN. Western Germany seems to be not a big item.

Mr. DODD. It is very small compared to prewar.

The CHAIRMAN. The production is very little.

SUGAR

Then we come to sugar, and getting into Austria, we have an ECA set-up of 62.8 thousand metric tons out of total imports of 69 thousand and a domestic production of 92 and an available supply of 161. They had imports of only 2,000 tons prewar. It would seem like that was a pretty high figure.

Mr. DODD. Except that they have lost lower Austria to the Russians, and that is where their sugar production was—in lower Austria.

The CHAIRMAN. They did not have any sugar production——

Mr. DODD. Not in upper Austria.

The CHAIRMAN. Not in the part we are supposed to ship to?

Mr. DODD. No.

The CHAIRMAN. Do we do anything toward feeding the population that is in our zone in Vienna, or is that the Russians' responsibility?

Mr. DODD. I think we do.

Colonel BLUMENFELD. No so far as the Army is concerned.

The CHAIRMAN. We do in our own zone under the Department of State, probably.

Colonel BLUMENFELD. Of course, the Army now has no responsibility for feeding the people, and the only feeding that comes in is what State and GARIOA bring in. The Army, as such, does not bring any food in.

Mr. DODD. Except the Army American personnel.

Colonel BLUMENFELD. Except the Army American personnel.

Mr. DODD. I think that is right.

The CHAIRMAN. You do not think the civilian population, even in our territory in Vienna, is fed by us? It must be.

Mr. NITZE. I think Public Law 389 has recently furnished supplies for Austria.

The CHAIRMAN. For sugar, Belgium and Luxembourg seem to have quite a substantial domestic production and pretty nearly as much sugar available as prewar, and still we are providing quite a substantial item.

Mr. DODD. It will be about 6 pounds per capita less than prewar.

The CHAIRMAN. It is 249,000 tons available as against 267,000 tons.

Mr. DODD. According to the figures I have, the Belgians had a per capita supply of 68.7 pounds prewar, and this would amount to 62.1 pounds per capita. That is a little more than 6 pounds per capita reduction in supplies.

The CHAIRMAN. Hardly as big as that; 249 would be 18,000 tons.

Mr. DODD. Then too, they are short of other calories. They have been short of grains, and sugar does furnish a lot of calories at a cheap price.

The CHAIRMAN. They show exports of a considerable quantity. They show imports and exports of sugar. I do not know why that would be. They show 100,000 tons of exports. It seems funny that we would be paying for the maintenance of their exports. Maybe there is an answer to that. If there is, you put it in the record.

Mr. NORTHRUP. All right.

(The information requested is as follows:)

SUGAR FOR BELGIUM IN ECA

The apparent inconsistency in supplying Belgium in imported sugar and permitting sugar exports within the same year arises primarily because the fiscal and sugar-crop years do not coincide. Belgium had a very short crop in 1947—138,000 metric tons compared with a normal production of about 240,000 metric tons. There was no stock to draw on since all countries had been reduced to the barest minimum during the period of critical world shortage, extending through most of 1947.

Belgium's normal annual consumption is about 258,000 metric tons. Its 1948 beet-sugar crop will not arrive on the market before November 1948. Consumption has been reduced, but, even so, the domestic supply will be exhausted before July and sugar must be imported to meet consumption requirements during the remaining 4 months of the sugar year.

As to exports, Belgium normally has an export trade in sugar, especially cane sugar, which is sold in Africa. The cost of sugar imported for refining, unlike that for domestic consumption, would be met out of proceeds of refined sugar sales.

The CHAIRMAN. France has quite a considerable domestic production of sugar—not quite as good as prewar—and the available supply is about four-fifths or perhaps not quite four-fifths.

Mr. DODD. It is 45 pounds compared to 58 pounds per capita prewar, according to my figures.

The CHAIRMAN. That is about right. And they evidently are going to export some. I wonder why we do that.

Mr. NORTHRUP. It reflects just their normal trade. They import none from this country, and they reexport to their own colonies in North Africa.

The CHAIRMAN. Greece does not produce any, and they import 80,000 tons as against 80,000 tons prewar, according to that set-up.

Mr. DODD. Right.

The CHAIRMAN. Of which we finance 54,000 tons. That sounds like a pretty big figure.

Mr. NITZE. Greece has very small earnings of its own.

The CHAIRMAN. As to Iceland, we are going to finance them on sugar, evidently. It hardly seems as though they would be worse off than they were before. Why are we financing them on sugar?

Mr. NITZE. Because their total exports to the Western Hemisphere are insufficient to cover their required imports from the Western Hemisphere.

The CHAIRMAN. Ireland shows 18,500 pounds financed by ECA out of 15,000 tons of imports. That is a good one.

Mr. NITZE. It is a different period of time. The period of time of the ECA financed program is the year from the 1st of April to the end of March 1949, while the 1948–49 figures are on a crop year basis. And there are certain seasonal factors which make it not directly comparable.

The CHAIRMAN. I just wonder why we should be financing their rehabilitation. Their industrial set-up is supposed to be quite considerably above prewar, as I remember that figure.

Mr. NITZE. Mr. Lovett testified to the Ireland problem and its relationship to the sterling area and the fact their total imports from the Western Hemisphere would require $195,000,000 over the 15 months period, while the estimated dollar earnings were only $33,000,000.

The CHAIRMAN. I should think they would be able to do such things as to step up their own production that much and not have to import sugar. It would not be such a big step-up—not any more of a step-up than we have made. It seems like we are asking our folks to do all of the stepping up and nobody else.

Mr. NITZE. This does project an increase from 66,000 tons last year to 100,000 tons in 1948–49—an increase of 50 percent in 1 year.

The CHAIRMAN. Yes. But they had a lot of increase in here, and where they are going to be bad off, instead of creating sterling credits, they ought to be developing the things they need for themselves.

Mr. NITZE. This does project a 50-percent increase in sugar production and projects a decrease in their sugar consumption.

The CHAIRMAN. A little.

Mr. DODD. Six pounds per capita.

The CHAIRMAN. Italy seems to have a pretty good domestic production. Prewar it was pretty good, and last year it was quite substantial.

Mr. DODD. With a pretty low consumption.

The CHAIRMAN. But just as much as they have been used to.

Mr. DODD. That is right, except maybe half a pound or something like that. Italy has the lowest per capita consumption of, perhaps, any area in Europe.

The CHAIRMAN. Of course, it is on the southern tip of Europe where they are the worst off.

Mr. DODD. That is right.

The CHAIRMAN. And it is warmer and they do not have to have quite so much fire under their belts to keep them going.

Mr. DODD. And not so much energy, either.

The CHAIRMAN. That is true.

Now, you have the Netherlands 140,000 metric tons total imports, pretty nearly as much imports as before the war and not as much production. It would seem like they would be able to take care of themselves pretty well on that 21.8 thousand tons of out ECA.

Mr. NORTHRUP. The problem there is the competition of land for other crops.

The CHAIRMAN. Norway is about the same as prewar. Portugal is 50 percent above prewar.

Mr. DODD. But still they have a very low per capita consumption.

The CHAIRMAN. And they are paying for it themselves?

Mr. DODD. That is right.

The CHAIRMAN. So I guess we won't worry about that.

Mr. DODD. The same thing is true of Sweden and Switzerland.

The CHAIRMAN. Is it not also true of Norway?

Mr. DODD. Yes.

The CHAIRMAN. They do not have such a low consumption in Switzerland.

Mr. DODD. No. Switzerland is up to about 90 pounds—not as high as Sweden. Sweden has about 108 pounds per capita consumption.

The CHAIRMAN. The United Kingdom sugar consumption is estimated at 340,000 tons from ECA but still quite considerably below prewar.

Mr. DODD. About 7 pounds per capita.

The CHAIRMAN. For Germany it is not much from ECA. Probably that is mostly GARIOA or something like that.

Mr. DODD. No; that is home consumption, but this supply still means almost 20 pounds less per capita than they had prewar.

The CHAIRMAN. Twenty pounds?

Mr. DODD. Yes; 46.8 compared to 65.5.

The CHAIRMAN. Their total availability is about four-fifths?

Mr. DODD. But they have more people.

The CHAIRMAN. I guess we will suspend until tomorrow.

Mr. CANNON. I would like to ask one question.

ADEQUACY OF SUPPLY OF AGRICULTURAL COMMODITIES FOR PROGRAM

Mr. Secretary, we are not so deeply concerned about the minutia of the bill. These details are not important except as they reflect the situation at home and abroad—first, the needs abroad; second, the supplies at home—and the amounts that we are able to transmit without impinging on our domestic economy.

Summing up the whole matter, do we have enough of these products which are proposed as a part of the European program to ship abroad, without involving sacrifices on the part of our home consumers?

Are there any of these commodities which enter into this program of which we do not have a sufficient supply to ship what is needed abroad without reducing the supply at home below the point where it will meet the needs of our domestic consumers?

Mr. DODD. We believe not, Mr. Cannon. We gave in a table this afternoon——

Mr. CANNON. You gave us here one table which showed the supply and gave us another table which showed the domestic needs.

Mr. DODD. That is right.

Mr. CANNON And contrasting those two you get to the point that we are interested in here, that is, do you have enough?

Mr. DODD. Yes, we believe we do.

Mr. CANNON. To supply the program without sacrifice of our own people?

Mr. DODD. Yes, we think so.

Mr. CANNON. Is there any commodity which enters into this program of which we do not have a sufficient domestic supply to fill the needs of the foreign program as tentatively outlined, without reducing the amount which we need at home?

Mr. DODD. No; not of those commodities which we will be called upon to furnish from the United States, Mr. Cannon.

Mr. CANNON. So that the whole purpose, then, of all this inquiry is to get at this point as to whether we have enough. And, in your opinion, after shipping the whole amount, you think we have enough?

Mr. DODD. Yes, sir.

Mr. CANNON. Now, either you or the Secretary of Agriculture, Mr. Anderson, testified before the subcommittee on the agriculture appropriation bill a little earlier in the year that even if we had a drought, if we had such untoward crop conditions that we did not produce one more grain of wheat, we still would have enough wheat to take care of this program and at the same time meet our domestic needs. Has that situation changed?

Mr. DODD. I believe that statement was we would have enough wheat to take care of ourselves for a full year if we did not raise another bushel of wheat. Since the statement was made a number of months ago, considerable wheat has been shipped out. But, of course, with a very fine wheat crop in prospect, we can take care of it.

Mr. CANNON And all we would have to do to meet the program would be to raise enough this year to take care of the European needs, because we already have enough carry-over for our own needs?

Mr. DODD. Because shipments have been continuing during the months since the earlier statement was made, the carry-over now in prospect next July 1 will not be sufficient to take care of either our domestic needs or the European requirements. We are counting on a lot of help from crops now in prospect.

The CHAIRMAN. Well, you told us a little while ago that 188,000,000 bushels was the present outlook for the carry-over.

Mr. DODD. The carry-over next July 1 will be around 180,000,000 bushels, I believe.

Mr. CANNON. But if you did not raise another single grain of wheat, we would still have enough to take care of the domestic needs?

Mr. DODD. The situation has changed some since our earlier testimony, and now we will need help from current crops in any event, and particularly if we are to carry out our foreign shipping needs.

Mr. CANNON. I say, for domestic needs. If we produce half of what we are producing, we will have enough to take care of the European program and of our domestic needs.

Mr. DODD. The condition of the crop and everything would lead us to believe that we would have enough to take care of both without any trouble whatever. It looks as though, when we get into the new crop starting July 1, we will have around 180 million bushels of carry-over. It may be a little up or down from that. My guess is that it will be a little up from 180 million bushels. That, plus 1-billion-something—I think the estimate on April 1 was roughly 1,100,000,000 bushels, would give you as much wheat as we need in this country plus the amount contemplated to be shipped from the United States under this program.

Mr. CANNON. On the whole, taking into consideration the prospects, it is a very encouraging situation.

Mr. DODD. Yes, sir.

Mr. CANNON. That is all, Mr. Chairman.

WEDNESDAY, APRIL 28, 1948.

SOURCES OF IMPORTS OF FOOD AND AGRICULTURAL COMMODITIES INTO PARTICIPATING COUNTRIES

Mr. NORTHRUP. Mr. Chairman, I have a table here which shows for most of the commodities on the list inserted on page 424, the principal exporting countries, not by quantities, but by the name of the country, included within the title "Other Western Hemisphere Countries." Those with a star would be the principal suppliers. The same information is avaialble for the other nonparticipating countries and for the dependent overseas territories.

The CHAIRMAN. That may be put in the record.

(The table above referred to is as follows:)

Sources of imports of food and agricultural commodities into participating countries

Supplying area	Bread grains	Coarse grains	Rice	Oilcake and meal	Pulses	Fats and oils	Sugar
Other Western Hemisphere.	Argentina*	Argentina* Brazil	Brazil* Ecuador	Argentina* Brazil Mexico Paraguay Peru Uruguay	Argentina* Brazil* Chile*	Argentina* Brazil* Uruguay	Argentina Brazil Cuba* El Salvador Guatemala Haiti Mexico Peru* Santo Domingo*
Other nonparticipating.	Australia* Bulgaria Eastern Germany Ethiopia Iran Iraq Syria U. S. S. R.*	Australia Eastern Germany Iraq Rumania Syria U. S. S. R.* Yugoslavia	Egypt* Australia Burma* Siam*	Philippines* China India	Hungary* Rumania* Yugoslavia*	Australia Ceylon China Egypt India North Zealand Philippines*	Australia* Czechoslovakia* Poland* Union of South Africa
Other participating	Turkey*	Turkey*	Italy*	Turkey	Italy* Netherlands* Sweden	Denmark* Greece Iceland Ireland Norway* Netherlands United Kingdom*	Belgium Denmark* Netherlands
Dependent overseas territories.	----------	Angola Belgian Congo	French Indochina	Belgian Congo* British East Africa* British West Africa British Pacific French Pacific French West Africa*	French North Africa* Madagascar* Angola West Africa*	Belgian Congo* British Pacific British East Africa British West Africa* Malaya Netherlands Indies Portuguese possessions in total	Angola West Africa Belgian Congo British Guiana British West Indies* Fiji Islands French West Indies Java (Dutch East Indies)* Madagascar Mauritius* Mozambique Reunion

*Principal supplying countries.

Supplying area	Meat (including horsemeat)	Cheese	Processed milk	Eggs	Fresh fruit	Dried fruit	Tobacco	Cotton
Other Western Hemisphere.	Argentina* Brazil* Chile Mexico Paraguay Uruguay	Argentina*	----------	Argentina	Argentina* Brazil* Chile* Colombia Ecuador Guatemala Honduras Mexico	Argentina* Brazil Chile*	Argentina Brazil* Colombia Cuba Dominican Republic* Paraguay	Brazil* Mexico* Peru* San Salvador Haiti Paraguay
Other nonparticipating.	Australia* New Zealand* Poland	Australia* New Zealand*	Australia* New Zealand*	Australia* Hungary Poland	Australia* Canary Islands Hungary New Zealand Spain* Union of South Africa Yugoslavia	Australia* China India Iraq Iran Spain* Union of South Africa Yugoslavia*	India* Philippines	Egypt* India* Burma
Other participating.	Denmark* Ireland* Italy Netherlands Turkey	Denmark* France Italy* Netherlands* Switzerland	Denmark* Ireland* Netherlands*	Denmark* Ireland Netherlands Turkey	Belgium Denmark France Greece Italy Luxemburg Netherlands Portugal Sweden Switzerland	France Greece Italy Turkey	Greece* Turkey* United Kingdom	
Dependent overseas territories.	----------	----------	----------	French Morocco	British West Indies* Cyprus Dutch Guiana French North Africa* French West Africa French West Indies Netherlands East Indies Palestine*	French North Africa*	Dutch East Indies	British West Indies British East Africa* Nigeria Anglo-Egyptian Sudan* Belgian Congo* Angola Mozambique French West Africa French Equatorial Africa

*Principal supplying countries.

Wool

The Chairman. For wool, there is shown 113,000 metric tons under "Other Western Hemisphere countries." Those would be which countries?

Mr. Northrup. Argentina and Uraguay.

The Chairman. Does most of it come from Argentina or Uraguay?

Mr. Northrup. Mostly Argentina, I believe.

Mr. Dodd. There is no question about that. The nonparticipating countries would be mostly Australia and New Zealand and the larger part of it Australia.

The Chairman. Not much of it comes from the middle eastern countries?

Mr. Dodd. Practically none.

The Chairman. What do you mean by other participating countries?

Mr. Northrup. That means exports from one or more of the 16 countries to each other.

The Chairman. What countries would be exporting wool?

Mr. Nitze. Belgium, 22,000 tons; France, 11,000; Ireland, 3,000; United Kingdom, 58,000.

Mr. Dodd. That would largely be a reexport of a quality of wool of a type of which they have more than they want.

The Chairman. Rather than a general item of export?

Mr. Dodd. That is right.

The Chairman. The United Kingdom is not an exporting country on wool ordinarily, is it?

Mr. Dodd. They import a good deal more wool than they export.

The Chairman. Their production does not amount to a great deal?

Mr. Dodd. That is right.

Mr. Northrup. 34,000 tons estimated next year.

The Chairman. I think that is all I have on those tables at this time.

Meat

Meat is the first item. The first country is Austria, which shows a very low quantity, below prewar. Does that figure cover all of the meat that goes to her or does she get some from outside of this set-up?

Mr. Northrup. This is all.

The Chairman. That is all that goes there?

Mr. Northrup. Yes.

The Chairman. And it is about the same as went there in 1946 and more than in 1947.

How does it happen that the domestic production is put down as a good deal less in 1948–49 than in 1947?

Mr. Dodd. Because of the shortage of feed, they liquidated a good deal of their livestock population.

The Chairman. And for that reason——

Mr. Dodd. Their production will be less next year than it was this past year.

The Chairman. If there are no other questions on Austria, we will turn to Belgium and Luxemburg. Their total availability with the

imports proposed bring them up close to the prewar supply and a little above 1947?

Mr. DODD. About 9 pounds per capita less than they had prewar.

The CHAIRMAN. Well, approximately 5 percent less.

Mr. DODD. 86 pounds as against 79 pounds are the figures that I have.

The CHAIRMAN. That is a heavy meat consumption, is it not?

Mr. DODD. Per capita. They always have been pretty heavy consumers of meat; not as high as Denmark, but higher than other countries.

The CHAIRMAN. It does seem as though the allocation for export has been moderately liberal along that line, does it not?

Mr. DODD. Historically they have always been pretty heavy consumers of meat.

The CHAIRMAN. I appreciate that.

Mr. NORTHRUP. The total imports estimated for next year are 20 percent less than last year.

The CHAIRMAN. I notice that. But their domestic production is set to go up 10 percent.

Mr. DODD. If we can get the feed grains and feed for them.

The CHAIRMAN. Denmark is an exporting country on meat, so we cannot do anything about that.

France shows a large domestic production for meat, but is not a very heavy meat consumer, is she?

Mr. DODD. About as heavy as Belgium. There is not much difference, about 2 or 3 pounds.

The CHAIRMAN. It seems to be rather a peculiar situation with an estimated domestic production of 1,700,000 tons, that they have to import 18,000 tons. That is a rather small importation. Why is that?

Mr. DODD. That is partly horse meat from the United States.

The CHAIRMAN. That they want it?

Mr. DODD. It is all we will export to them.

The CHAIRMAN. It is just about 1 percent.

Mr. DODD. It is a small amount.

Mr. NORTHRUP. Eight thousand of the 18,000 tons is estimated to come from their own dependent territories.

The CHAIRMAN. Greece shows a small importation and their total is small percentage-wise.

Mr. NORTHRUP. May I give you a correction of figures for Greece? Under 1946–47 the domestic production shows 10,000 tons; that is a typographical error. It should be 70,000 tons.

The CHAIRMAN. You are giving them a little more than they had prewar?

Mr. DODD. No, just a little bit under, about a half a pound.

The CHAIRMAN. The available supply is 89 prewar and 97 for 1948–49.

Mr. DODD. The population has gone up, Mr. Chairman.

The CHAIRMAN. In Greece?

Mr. DODD. Yes, sir.

The CHAIRMAN. War casualties seem to increase the population.

Mr. DODD. It would seem that way; it has in Europe. They have about 10 percent more people.

Mr. WIGGLESWORTH. What was the population figure?

Mr. NORTHRUP. Prewar 6,900,000; 1947, 7,600,000.

The CHAIRMAN. The Greece picture comes largely from the Greeks being repatriated.

Mr. DODD. There is no question but that is a part of it, yes.

The CHAIRMAN. You never lived there?

Mr. DODD. They have been shoved out of other countries.

The CHAIRMAN. That is the reason for a lot of that.

Mr. DODD. Yes.

The CHAIRMAN. Iceland is not importing, and we do not need to consider that.

Ireland is importing.

Italy imports 28,000 pounds; ECA, 12,000, as against prewar importation of 55,000, and the over-all figure is about the same as it was prewar, a little bit more.

Mr. DODD. Yes.

The CHAIRMAN. That means the per capita has gone down considerably.

Mr. DODD. It is about 6 pounds per capita.

The CHAIRMAN. There has been a considerable increase in population?

Mr. DODD. Yes.

Mr. WIGGLESWORTH. The exports are about 15,000 tons.

Mr. NORTHRUP. Fifteen thousand; yes.

The CHAIRMAN. That gives them quite a considerable bit above last year, but quite a lower rate; about what?

Mr. DODD. 33.5 pounds per capita.

The CHAIRMAN. I suppose that varies with different parts of the country they are in?

Mr. DODD. That is right.

The CHAIRMAN. What is the population of Italy now and prewar?

Mr. NORTHRUP. Italy, 42.6 million, prewar; 1947 is estimated 46.6 million.

The CHAIRMAN. What is the population of the Netherlands?

Mr. NORTHRUP. Prewar 8.5 million; 1947, 9.6 million.

The CHAIRMAN. Bombing increased that population too. You have a picture here where they used to have local production, lower considerably than prewar; about three-fourths; imports, 25,000,000 as against 16,000,000——

Mr. DODD. About 34 pounds less per capita.

Mr. WIGGLESWORTH. Twenty-eight thousand tons export.

Mr. NORTHRUP. That is right.

The CHAIRMAN. How did they manage that?

Mr. NORTHRUP. They just deliberately did that, as a matter of Government policy, to keep up their trade.

The CHAIRMAN. In certain specialties, advertised specialties?

Mr. NORTHRUP. That is right.

The CHAIRMAN. Norway does not get any meat to speak of, but I want to get the population for all of these countries as I go along.

Mr. NORTHRUP. Norway, prewar, 2.9 million; 1947, 3.1 million.

Mr. CANNON. I did not realize the population of Norway was so much smaller than Greece.

Mr. NORTHRUP. It is quite a bit smaller.

The CHAIRMAN. For Portugal, I do not understand the situation. They are asking for 12,000 tons imports as against none prewar; and their domestic production is down to about two-thirds, or below two-

thirds of what it used to be. What is the explanation of that? Do you think these figures are right? They do not look to me like they can be.

Mr. NORTHRUP. I cannot speak specifically to that, myself, Mr. Chairman.

The CHAIRMAN. You do not show any break-down of meat.

Mr. DODD. It is because of a shortage of feed.

The CHAIRMAN. A shortage of feed.

Mr. DODD. No question about that.

The CHAIRMAN. They have always imported feed?

Mr. DODD. Yes; they have always had to import feed.

The CHAIRMAN. There is not much grain import, coarse grain, comparatively speaking.

Mr. DODD. Oilcake and meal and coarse grains.

The CHAIRMAN. Oilcakes are imported, but not too much.

Mr. WIGGLESWORTH. This table does not show any imports prewar.

Mr. NORTHRUP. This table does not. This undoubtedly must reflect some import requirements on other exporting nations, not from the United States.

The CHAIRMAN. But the 132,000 prewar production, which is down to about two-thirds of that, with their unique position during the war does sound funny, as if there must be some mistake.

Mr. DODD. We will check those figures again, but I am sure, Mr. Chairman, that it is the feed situation.

The CHAIRMAN. What is their population figures?

Mr. NORTHRUP. Prewar, 7.4 million; 1947, 8.1 million.

Mr. DODD. This would give them a per capita of 26 pounds against 39.5 prewar.

The CHAIRMAN. But their domestic production is down.

Mr. DODD. Yes; and we will check into that, we will check to be sure of the figures, Mr. Chairman. On another check, Mr. Chairman, our information indicates a decrease in domestic production the last few years. Their per capita consumption is much below prewar.

The CHAIRMAN. What is the population of Sweden?

Mr. DODD. Prewar, 6.3 million; 1947, 7 million.

The CHAIRMAN. The figures there indicate about the same meat production as in prewar with four times the imports?

Mr. NORTHRUP. That is right.

The CHAIRMAN. 7,000 up to 30,000 tons. It seems like that allocation is out of line with everything else.

Where would they get this 30,000 tons?

Mr. DODD. For Sweden?

The CHAIRMAN. Yes.

Mr. NORTHRUP. 16,000 from the Western Hemisphere; 9,000 from other nonparticipating countries, and the remainder possibly from Denmark.

Mr. DODD. That is right.

The CHAIRMAN. What is the population of Switzerland?

Mr. NORTHRUP. Prewar, 4.2 million; 1947, 4.5 million.

The CHAIRMAN. They drop off in their meat production 60,000 tons, and have imports of 39,000 tons as against 8,000.

Mr. NORTHRUP. Compared with prewar.

Mr. DODD. That still gives them 22 pounds per capita less than they had prewar. That is entirely a feed picture there.

The CHAIRMAN. It is?

Mr. DODD. Yes; I saw that happen.

The CHAIRMAN. Did they import much feed in prewar?

Mr. DODD. Oh, yes, a lot of it; they have always imported a lot of feed.

The CHAIRMAN. Grains?

Mr. DODD. Grains. They had to kill off some livestock because of the loss of grains, and their roughage. Their pasture dried early and they were in very serious trouble last winter.

The CHAIRMAN. Where do they get the meat?

Mr. NORTHRUP. 21,000 tons from South America; 12,000 tons from other nonparticipating countries, and 3,000 tons from other countries in Europe, western Europe.

The CHAIRMAN. Turkey does not import.

For the United Kingdom, their production is off 300,000 tons, according to this estimate, and they import just about the same as prewar, with the per capita a little over.

Mr. DODD. That would be 109 pounds per capita for 1948, but it was 129.6 prewar.

The CHAIRMAN. How much?

Mr. DODD. 129.6 prewar, and it would be 109.4 for this year, or 20 pounds per capita less.

The CHAIRMAN. 178.6 financed in the ECA. What is the population?

Mr. NORTHRUP. Prewar, 47.1 million; 1947, 49.1 million.

The CHAIRMAN. There seems to be 42 million imports and 2.2.

In this table for Germany, you include the Bizonal appropriation under GARIOA, as well as that shown in this table?

Mr. NORTHRUP. The ECA-financed shipment column would not be GARIOA.

The CHAIRMAN. But the 42,000,000 would be?

Mr. NORTHRUP. The total imports would be for all imports, not those actually paid for.

The CHAIRMAN. The production is down to about half of prewar—it is down to about two-thirds of last year.

Mr. NORTHRUP. Yes.

The CHAIRMAN. What is the explanation?

Mr. DODD. Again that is a straight feed reduction; and the need for food was such that the Food Administration forced them to liquidate a lot of their livestock.

Mr. NORTHRUP. You want the population too, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. NORTHRUP. The figures I have here for prewar are 43.1.

The CHAIRMAN. Does that cover Bizonia?

Mr. NORTHRUP. That is the bizone, French zone, and the Saar; 43.1 million prewar, and 1947, 49.8 million.

Mr. KERR. The population seems to have increased by nearly 3,000,000.

Mr. DODD. Actually they say that it has gone up 11,000,000 people; that is the estimate at this time.

The CHAIRMAN. What is the population of Austria? There is nothing in that in the line of dairy products, but I am going to run through with the dairy products.

Mr. NORTHRUP. Prewar population, 6.7 million.

The CHAIRMAN. Is that just the American zone?

Mr. NORTHRUP. I believe that is the whole country.

Mr. DODD. That is correct.

The CHAIRMAN. And for 1947 it is what?

Mr. NORTHRUP. About 6.9 million.

The CHAIRMAN. The American zone would not be more than about 2,000,000, would it?

Mr. FITZGERALD. The American zone and all of Vienna come to about 2.9 million. The United States Zone itself has a population of about 1,250,000. The United States area of Vienna has about 500,000 or a total of 1,760,000 for which there is a direct United States responsibility. The remainder of the population of Vienna for which we share responsibility comes to about 1,100,000, Mr. Chairman.

The CHAIRMAN. 2.9 million in the American zone?

Mr. FITZGERALD. Yes. The American zone and the Russian zone are about the same.

The CHAIRMAN. And the others do not amount to much?

Mr. FITZGERALD. The others do not amount to a great deal.

Mr. DODD. They have small farms in the American zone, compared with the other area——

Mr. FITZGERALD. The population figures I gave include Vienna, too.

The CHAIRMAN. They do not seem to have imported a great deal of products.

Mr. DODD. No.

The CHAIRMAN. Will you give us the population figures on Belgium?

Mr. NORTHRUP. Do you want them given separately?

The CHAIRMAN. I want the prewar and 1947.

Mr. NORTHRUP. Belgium and Luxenburg: Belgium, 8.3 million; Luxenburg, 0.3; 8.6 for the two, prewar; and 1947, 8.4 million for Belgium plus 0.3, or 8.7 million for 1947.

The CHAIRMAN. That is for the whole business?

Mr. NORTHRUP. Yes.

The CHAIRMAN. They seem to have had quite a considerable amount of imports of dairy products, as compared with the prewar figure. In other words, the canned milk figure, with ERP included for the biggest part of it, calls for 45,000,000 tons of imports as against 2,000 available prewar, with dry milk calling for just a part of it, and the cheese figure for about 90 percent of it.

Mr. DODD. Largely processed milk.

The CHAIRMAN. Yes; but it is a bigger figure than prewar.

Mr. DODD. Yes.

Mr. FITZGERALD. May I comment on that, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. FITZGERALD. The reason for that increase in canned milk is not wholly shown in this table. It reflects a decrease in the fluid milk production in the country, which has dropped to about 25 percent from the prewar level. The increased demand is partly due to the decrease in the fluid milk production.

Mr. DODD. That would be true with reference to many of the other countries where the production of fluid milk is down and the need for processed milk would be up.

Mr. FITZGERALD. That is correct.

The CHAIRMAN. Give me the population figures for Denmark.

Mr. NORTHRUP. Prewar, 3.7 million; 1947, 4.2 million.

The CHAIRMAN. They are not importing dairy products, and I do not suppose this shows a very large production.

Mr. NORTHRUP. They are exporters of milk.

The CHAIRMAN. Give me the population figures for France.

Mr. NORTHRUP. Prewar, 41.9; 1947, 41.4.

The CHAIRMAN. 41.4, 1947?

Mr. NORTHRUP. Yes.

The CHAIRMAN. How is that?

Mr. FITZGERALD. The population of France has been declining for some years due to a very low birth rate, primarily.

The CHAIRMAN. They seem to have had quite a big drop in their production of most things; you show it even down below the current year.

Mr. NORTHRUP. In cheese; yes.

The CHAIRMAN. In cheese.

Mr. NORTHRUP. But not in the other items.

The CHAIRMAN. No; they are just the same.

Mr. NORTHRUP. They are holding their own.

The CHAIRMAN. That is not a big item?

Mr. NORTHRUP. No.

The CHAIRMAN. It does seem a little funny that the ECA-financed shipments are something like 30,000 pounds of canned milk and their total imports are 25,000 tons.

Mr. NITZE. That is due to a difference in time period of ECA shipments.

The CHAIRMAN. The Greece picture shows the canned and dried milk figures—that is in fairly easy supply; is it not?

Mr. DODD. Yes.

The CHAIRMAN. That comes out of the United States, mostly?

Mr. DODD. Largely. Dried milk almost 100 percent.

Mr. NORTHRUP. All of the dried milk.

The CHAIRMAN. They have no substantial production there on any of those things.

Mr. DODD. No.

The CHAIRMAN. They do have some cheese production?

Mr. DODD. In the North.

The CHAIRMAN. That cheese would be goat?

Mr. DODD. Largely goats and sheep.

The CHAIRMAN. What is the population for Iceland?

Mr. NORTHRUP. Population, prewar, 100,000; 1947, 100,000.

Mr. NITZE. These figures are to the nearest 100,000; actually I think it is around 132,000.

The CHAIRMAN. Which one?

Mr. NITZE. Both are about the same.

The CHAIRMAN. 132,000?

Mr. NITZE. That is my recollection, Mr. Chairman.

The CHAIRMAN. Ireland has no imports of dairy products.

Italy: canned milk; imports of dried milk is small.

Mr. NORTHRUP. Cheese production is down from prewar.

The CHAIRMAN. Is that goat, or is that from cattle?

Mr. DODD. Some goat, but largely cows; the fresh milk supply is also largely cow's milk.

Mr. WIGGLESWORTH. What is the population of Ireland?

Mr. NORTHRUP. Ireland, 3,600,000, both periods.

The CHAIRMAN. They have to be bombed in order to increase.

Mr. NORTHRUP. There may be some variation in the figures; these are round figures that I have in the table.

The CHAIRMAN. For Italy the items are not very big except for cotton and grain.

The Netherlands has no substantial amount of imports, except dried milk, and that is not very big.

Norway has none; Portugal, none; Sweden, none; Switzerland, none; Turkey, none.

What is the population of Turkey?

Mr. NORTHRUP. Turkey, 16.4 million, prewar; 19.4 million, 1947.

The CHAIRMAN. For the United Kingdom I suppose the dairy production is down, although it is hard to tell. The cheese figures seem to be below prewar but quite a little increase over the current picture.

Mr. DODD. That is right.

The CHAIRMAN. And their import figures seem to be quite a little bit above the prewar.

Mr. DODD. In prewar they were practically self-sufficient.

The CHAIRMAN. Not on cheese?

Mr. DODD. Not on cheese; I was talking about the fluid milk picture.

The CHAIRMAN. I do not know about the milk picture—the dry milk picture—but they got quite a lot of imports, and they have a big item of imports of cheese.

Mr. DODD. Yes.

The CHAIRMAN. The cheese figures you have down here are quite a bit more than they had prewar.

Mr. FITZGERALD. That is a partial attempt, Mr. Chairman, to offset the small supply of meat they now have; they are both protein foods.

Mr. DODD. The per capita consumption is less than it was in prewar—9.5 as against 4.6, according to my figures.

Mr. FITZGERALD. On cheese?

The CHAIRMAN. It is 20 percent above prewar figures, according to my table.

Mr. DODD. Yes; I was referring to the German figures. You are correct; it is about a pound or a pound and a quarter above prewar.

Mr. DODD. And Dr. Fitzgerald is right on that; it is to make up the shortage in meat that they have increased the cheese.

The CHAIRMAN. It looks to me like 2 pounds.

Mr. DODD. It is 9.4 and 10.6, according to the figures I have.

The CHAIRMAN. It would be more than that; it would be 40,000 tons, which would be 86,000,000 pounds, which would be pretty close to 2.

Mr. DODD. But the population has increased 2,000,000 since prewar.

The CHAIRMAN. In the bizone, Germany, there is a dried-milk importation of 45,000 tons.

Mr. NORTHRUP. Yes, sir.

The CHAIRMAN. That is the end of the dairy picture.

Are there any questions on dairy products?

EGGS

If there are no questions on dairy products, the next is eggs.

Belgium gets quite a big importation, compared with their prewar. Denmark has none; France has a very small amount—not anywhere near as big as their prewar—but the availability is just about the same. There is not too much change in Greece; in Iceland there is none and Ireland none, and Italy seems to get none.

Eggs are not much of a factor in Italy; are they?

Mr. DODD. That is right.

The CHAIRMAN. There is none in the Netherlands; there seem to be none in Norway. That is not much of a factor in European food?

Mr. NORTHRUP. What they get is mostly from their own production.

The CHAIRMAN. Portugal seems to have its own production of eggs and dropped off to one-half of its 1947 and is relying on somebody else. That does not look right, either. Those figures are not right; are they?

Mr. NORTHRUP. I think they probably are. They reflect this grain-feed situation Mr. Dodd mentioned, and they are just going to have less eggs than they had before.

The CHAIRMAN. They are the only place there that has cut their egg production in two.

Sweden is not much, either, and Switzerland does not have any bigger importations than prewar.

Mr. DODD. They have less eggs per capita.

The CHAIRMAN. In the United Kingdom, there does seem to be quite a lot of eggs goind in there.

Mr. DODD. That has been a lifesaver for the United States.

The CHAIRMAN. What?

Mr. DODD. The United Kingdom market. Most of our dried eggs that we have exported have gone into the United Kingdom.

The CHAIRMAN. They seem to have dropped their production.

Mr. DODD. That is right—because of the grain situation.

The CHAIRMAN. We do not have any local market for dried eggs to speak of; do we?

Mr. DODD. Practically none. We have some in the school lunch and some in institutional feeding, because they store well and are handy in cooking. Our local consumption is very small.

The CHAIRMAN. There is no egg business in the bizone Germany picture at all. The 4,000 tons is dried eggs, I guess.

Mr. NORTHRUP. That is what it would be.

DRIED FRUITS

The CHAIRMAN. I do not know whether I need to ask any questions on dried fruits. I suppose these dried fruits are being sent to these places because——

Mr. DODD. To supplement their calories. Many of them are mixing dried fruits—raisins and things of that kind—in their bread.

The CHAIRMAN. They are being sent there largely to get rid of them here; are they not?

Mr. DODD. Well, we would like to send more; but they have normally purchased dried fruits from us.

The CHAIRMAN. Well, they are being sent in order to get rid of them here, really; is that not right?

Mr. DODD. I would not say it just that way, although we do have a problem of getting rid of them. We have tried to get them to buy as much as they would. That is correct.

Mr. STEFAN. You are sending 121,000 metric tons from the United States?

Mr. DODD. That is right.

Mr. STEFAN. Where do those 251,000 metric tons of dried fruits from other places come from?

Mr. DODD. It would be mostly the Mediterranean countries.

Mr. STEFAN. Raisins, and so forth?

Mr. DODD. Largely raisins and currants. Historically, Europe has been the export market for the United States for raisins, dried fruits, prunes, peaches, and apples. If that market does not open up so that we can ship them, a lot of people are going to have to change their way of farming.

The CHAIRMAN. The worst trouble is if a fellow gets to raising fruits, especially those that grow on trees rather than vines, he cannot shift to agriculture at all.

Mr. DODD. That is right.

The CHAIRMAN. He just has to stick to it.

Mr. DODD. That is true of his raisins. If he is getting grapes, he can sell only so many fresh, and there are certain varieties of those raisin grapes that about all you can do is to make raisins of them. There was a time during the war, when there was a shortage of whisky, when they made wine and alcohol from them, but that market is oversupplied; so that there is nothing to do with them, really, but to put them into raisins.

The CHAIRMAN. Well, we cannot develop very much of a market for them.

Mr. DODD. No; outside of the market we used to have in Europe. We have always had a substantial market in Europe for dried raisins, dried prunes, dried applies, and dried peaches.

The CHAIRMAN. Unless somebody has some questions, I do not believe I shall ask any questions on dried fruits.

RICE

The next is rice. Have you been figuring to send rice where it did not go before?

Mr. NORTHRUP. No, sir. They would like to get a lot more rice from the exporting nations than the IEFC allocations can provide. Most European nations participating in IEFC procedures, which is Dr. Fitzgerald's subject, have concurred with the other nations that it should go to the large rice-consuming areas which have been very deficient in rice since the war.

Mr. NITZE. May I point out just one thing on rice. The United Kingdom ECA-financed shipments, 136,000 tons, go almost entirely to the dependencies of the United Kingdom and not to the mother country. That is why it looks a little strange on that sheet.

COFFEE

The CHAIRMAN. On coffee, there seems to be a very large increase above the last couple of years. I suspect these people have not had any during the war. Is that right?

Mr. NORTHRUP. Yes, sir.

The CHAIRMAN. Or not much to speak of, anyway.

Mr. NORTHRUP. We would like to ask Mr. Havemeyer to answer the questions on coffee.

Mr. HAVEMEYER. Actually, in the last 2 or 3 years the European countries have imported about 50 to 60 percent of their prewar imports.

The CHAIRMAN. I understand that; but you are planning to give them a considerable increase, generally, over the last 2 years.

Mr. HAVEMEYER. That is right. And a great deal of that increase is not primarily from dollar sources but from their own colonies. There has been an increased production in their own colonies.

The CHAIRMAN. For instance, here is Italy——

Mr. HAVEMEYER. That would practically all be secured from British East Africa and South America—mostly Brazil.

The CHAIRMAN. And we will be paying for the most of it.

Mr. HAVEMEYER. I imagine so.

Mr. NORTHRUP. These two figures may give you the total picture. Coffee shows, for next year, total imports of 390,000 tons. Of that amount, as Mr. Havemeyer said, 144,000 will come from their own territories.

Mr. STEFAN. Out of the 494?

Mr. NORTHRUP. Out of the 390.

Mr. STEFAN. The grand total is 494, and you have 390 from the Western Hemisphere and 176 from dependent overseas territories. Does the 144 come out of there or out of the other figure?

Mr. HAVEMEYER. The 144 would come out of the 390.

The CHAIRMAN. Take the Netherlands, for instance. You are giving them more than they had prewar and two and one-half times what they had last year and nine times what they had in 1946.

Mr. HAVEMEYER. That figure is based on the imports they intend making, and the Netherlands have been importing for the German areas.

The CHAIRMAN. For the German areas? Why would they be doing that?

Mr. HAVEMEYER. They have been trading on a barter basis, I believe.

The CHAIRMAN. That is a funny thing—that we foster their trading on a barter basis with the Netherlands, but we do not encourage it right direct in their own territory. That is something that is kind of a little hard to follow. It looks like there is some kind of a screw loose.

Mr. HAVEMEYER. Perhaps Colonel Blumenfeld can answer that. They are going to get about 15,000 tons of this from their own de-

pendent overseas territories, and a great deal will come, I imagine, from territories of Portugal and Spain in South America.

Colonel BLUMENFELD. I know we are buying no coffee under GARIOA, but I find here that JEIA imported about $240,000 worth of coffee last year for the miners' incentive program. That may be the coffee the gentleman spoke of.

Mr. NORTHRUP. That is right.

Mr. STEFAN. For what did they trade it?

Colonel BLUMENFELD. It goes on our off-set account.

Mr. STEFAN. What do they get for it; what do they trade for it on JEIA?

Colonel BLUMENFELD. It is probably any one of a number of commodities other than coal, potash, or timber. I suppose it would consist of some machinery or other items they are sending to the Netherlands. I take it that was in there. On the off-set account, there have been some spare parts for the equipment they have that we normally supplied them. I take it those are the items.

Mr. STEFAN. Machinery or something like that?

Colonel BLUMENFELD. I would think so; because the bulk of our items are dollar items, and it probably is not those. There might be some textiles involved in our exports. It is a possibility that these were purchased for dollars from the miners' incentive program but I rather doubt this.

Mr. WIGGLESWORTH. Both Italy and the Netherlands are getting more coffee than they had prewar by a considerable amount, according to these tables—quite an increase in 1948–49 over prewar.

Mr. HAVEMEYER. In the case of the Netherlands, the figures are figures they filed in the CEEC report.

The CHAIRMAN. But it is more than prewar and double last year and 40 times the year before.

Mr. WIGGLESWORTH. The Netherlands is 33 percent more than prewar and two and one-half times last year.

Mr. HAVEMEYER. There is a trade agreement between Italy and Brazil which covers some of this coffee.

Mr. WIGGLESWORTH. But we are paying for it, are we not?

Mr. NITZE. I believe not, sir. For Italy, it shows total imports of 40,000 tons, of which only 3,600 tons might be financed under ECA.

Mr. WIGGLESWORTH. But if those 3,600 are omitted, they would still have more than they had prewar.

The CHAIRMAN. Here is a funny one. Here is Britain getting three times what they got prewar.

Mr. HAVEMEYER. The consumption in Great Britain has increased primarily because of the shortage of tea and the rationing of tea there, and coffee is not rationed. That is the reason.

The CHAIRMAN. That is probably the reason why in the set-up for tea Britain is allocated 220,000 tons—26,000 tons more than their prewar and 50,000 tons more than last year.

Mr. NORTHRUP. That is right. However, 220,000 tons is 5,000 tons less than the prewar imports.

The CHAIRMAN. I suppose that is the way the tea rationing has gone down. They practically get more tea than they had last year and more than they had prewar, and yet the tea ration has gone down.

Mr. HAVEMEYER. There has been an increase in population there.

The CHAIRMAN. But not enough to cover that.

Mr. WIGGLESWORTH. It is three times the amount of coffee.

Mr. HAVEMEYER. You get about 250 cups of tea from a pound of tea, while you get about 35 cups of coffee from a pound of coffee.

The CHAIRMAN. Yes; but when you have more pounds of tea per capita of population than you had before the war and still have to multiply your coffee imports by three, you get a picture that makes a fellow kind of wonder, do you not?

Mr. HAVEMEYER. They have increased, and there is another theory on it——

The CHAIRMAN. It looks to me like there was a little lack of judgment being used in setting that up.

Mr. NORTHRUP. You will notice that almost none of those two items, coffee and tea, are suggested to be financed by ECA.

The CHAIRMAN. I know; but when you have to finance other items in order to let them buy those things and give them dollar exchange to do it, you kind of have to look at that picture.

Mr. HAVEMEYER. Their source of tea is from their own dominions, and coffee is from their own colonial areas, primarily.

The CHAIRMAN. In Germany, coffee does not amount to much in this set-up, so that we won't spend any time on that.

OTHER FOODS

Under "Other foods," the first is pulses. That means beans, mostly, does it not?

Mr. DODD. Beans and peas.

The CHAIRMAN. And there the ECA business runs 50,000 in Austria out of 71,000 total imports—five times what they had prewar and 50 percent more than last year. I wonder why that is.

Mr. DODD. I think, again, with pulses, you can say they have gone up in consumption because they are down on other foods.

Mr. NORTHRUP. This is to help make up the deficiency in the protein diet. That is the basic reason for the most of those figures on pulses.

The CHAIRMAN. You have not a big importation of fresh fruit for Austria as compared with prewar, but their total mount available is a great deal above what it was prewar.

Mr. DODD. It is on fresh fruits; that is true.

The CHAIRMAN. It looks like apples.

Mr. NORTHRUP. That fresh fruit item for Austria is largely imports from neighboring countries or other European countries and is an estimate of the trade that will flow in that commodity between those countries. But when they are down on meat and down on grains, it is a sure thing that a high-protein food like beans would go up, if they were available at all.

The CHAIRMAN. These total figures are as to the amount available. Is that what is available for the whole of Austria?

Mr. NORTHRUP. For the entire Austria.

The CHAIRMAN. And the importations are the importations into the whole of Austria or just what we send?

Mr. DODD. No; for the whole of Austria.

The CHAIRMAN. For the whole of Austria?

Mr. NORTHRUP. Yes, sir.

The CHAIRMAN. And from whatever source derived, that is, whether from the iron curtain or somewhere else?

Mr. NORTHRUP. That is right.

The CHAIRMAN. And the only thing anybody can follow closer than that is what goes in the ECA set-up, is that it?

Mr. NORTHRUP. That is correct, Mr. Chairman.

The CHAIRMAN. Pulses in Belgium and Luxemburg seem to be down in quantity from prewar.

Mr. DODD. Yes; they are down 8 pounds per capita.

The CHAIRMAN. Their production is down, but you would think they would be able to get their production up on that item.

Mr. NORTHRUP. That is because of the emphasis that they are putting on other items like grain in their own country.

The CHAIRMAN. They get more out of beans and peas and that sort of thing, do they not?

Mr. DODD. They do on some acres, and on some acres you can get more out of grain than you can out of pulses.

The CHAIRMAN. Than pulses?

Mr. DODD. Yes; that is right. In country like some parts of your area and in Michigan and some parts of the irrigated areas in Utah and Idaho you can get more pounds of food out of beans.

The CHAIRMAN. I thought you got more pounds of food out of beans and peas than out of grain any time.

Mr. DODD. No.

The CHAIRMAN. That is, unless it was particularly dry agricultural land.

Mr. DODD. Not always, you get into an area of dry land country, such as that in parts of New Mexico and western Colorado, and you can get more pounds of food out of beans than out of grain.

The CHAIRMAN. You can?

Mr. DODD. Oh, yes.

The CHAIRMAN. On fresh fruit they seem to be up on their production, and still they seem to have a block of imports on fresh fruit.

Mr. NORTHRUP. That is right.

The CHAIRMAN. On this cocoa picture how does that run? Is that much of an item in the ECA set-up?

Mr. NORTHUP. Most of these countries do not show financing on ECA.

Mr. HAVEMEYER. That is $1,000,000 over-all.

The CHAIRMAN. Over-all?

Mr. HAVEMEYER. Yes, sir.

The CHAIRMAN. Denmark shows more cocoa than before the war, and some of it is ECA financed. As to their fresh fruit, in spite of their big production they have a considerable amount of imports. They import more tea than before the war, not much, but a little.

Belgium imports 10 times the prewar tea figure. Why would that be?

Mr. HAVEMEYER. These figures were based on the last IEFC allocations that were made, and I believe that they are slightly high. They probably should be closer to one or two.

The CHAIRMAN. Referring to your French picture, they raise a lot of pulses and yet they have 55,000 tons of imports, and you bring them up to just about the prewar picture, but not quite.

Mr. DODD. About 2 pounds per capita less than prewar.

The CHAIRMAN. The fresh fruit picture I do not understand, but your production is away down. I do not understand why your fresh fruit figure in France should be so far down and your importations so large. There is not any reason for that, is there?

Mr. DODD. It is largely a reduction in the production of cider apples and pears.

The CHAIRMAN. It does not look like it. It looks as though there was some miscalculation there.

Cocoa seems to run just the same as prewar. It seems that they could go to work and produce just as many pulses as they did before the war.

Mr. DODD. I think there again, it is a question of competition of grain for the land.

The CHAIRMAN. For land?

Mr. DODD. Yes, sir; they are using the land for grain rather than for pulses.

The CHAIRMAN. You have Greece importing a lot of pulses. You would think they would be able to raise them themselves.

Mr. DODD. No, not so good.

The CHAIRMAN. You say not so good?

Mr. DODD. No, sir.

The CHAIRMAN. What is the reason for that?

Mr. DODD. They have got some people over there trying to teach them how to raise more beans, particularly in the northern area, but they have not done very well at it up to now.

The CHAIRMAN. Ireland seems to be down for a lot of importations of fresh fruit. They do not seem to have much pulses.

Mr. DODD. No; they never were very large growers of pulses.

The CHAIRMAN. You have them on tea up to prewar.

Your Italian picture on fresh fruits and pulses shows a bigger importation than prewar and bigger consumption.

Mr. DODD. That is right, a little more than one pound per capita of each.

The CHAIRMAN. Why do they not raise them there?

Mr. DODD. They do raise a good many themselves.

The CHAIRMAN. That is a pretty good country for pulses.

Mr. DODD. That is right.

Mr. NORTHRUP. Their production for next year is estimated to be above prewar too.

The CHAIRMAN. Yes; I noticed that. I thought that was a good sign, but it does seem like they could raise what they need.

Fresh fruits, they do not import very much.

Mr. DODD. No, they are net exporters.

The CHAIRMAN. Yes.

On cocoa you are getting them up above prewar, although not much.

Netherlands imports quite a few pulses and quite a lot of fresh fruit.

Mr. DODD. That is right, more fresh fruit than before the war.

The CHAIRMAN. Yes, and their production is 50 percent above prewar.

Mr. DODD. That is right.

The CHAIRMAN. Their cocoa figure is not as big as prewar, but it is quite a big figure comparatively. It is just about the same as prewar.

Norway seems to import a lot of fresh fruit.

Mr. DODD. Yes, they raise practically none of it.

The CHAIRMAN. Nearly a half of what they consume. As to pulses they do not raise any.

Mr. DODD. That is right.

The CHAIRMAN. And they do not import much.

As to Portugal there is not much of that.

Sweden seems to import quite a lot of fresh fruit and gets in on the ECA for a considerable quantity. I wonder why that is. That gives them something like 50 percent more than prewar.

Mr. DODD. Sweden has been one of our best customers for apples and pears from this country.

The CHAIRMAN. Switzerland imports quite a little of those things. Their cocoa figure is double prewar. The fresh-fruit figure is just about the same, and pulses are quite a little bigger.

As to Turkey there is nothing in there.

Referring to the United Kingdom, their pulses have gone up quite considerably from the prewar figure and the fresh fruits also.

Mr. WIGGLESWORTH. Over-all they are down.

The CHAIRMAN. Their over-all supply is down, but their imports are up. The pulses are down, but their per capita figure on pulses is up.

Mr. DODD. And on fruits too.

The CHAIRMAN. Fruits went away up both as to production and imports.

Mr. DODD. That is right, about 20 pounds per capita on fruit, and about 2 pounds up on pulses.

The CHAIRMAN. In Germany your pulses are away up.

Mr. DODD. They are nearly double prewar.

The CHAIRMAN. More than double.

Mr. DODD. Well, 5.6 against 11.1, but we have had to help the Army, and those are largely dried beans because we have been short of grains and short of meat.

The CHAIRMAN. Fresh fruit does not come from here much, does it?

Mr. DODD. No, practically all from Italy, but that is down per capitawise a long ways from prewar.

The CHAIRMAN. Yes, about two-thirds.

Mr. DODD. That is right.

TOBACCO AND COTTON

The CHAIRMAN. We have nothing left but tobacco and cotton on that page.

On tobacco you have Austria up to prewar with 3.8 coming out of ECA, 3,800 tons, and away above last year.

Mr. NITZE. They have been very short of tobacco over there. They had no funds with which they could purchase incentive goods.

The CHAIRMAN. We are putting up the incentive goods to carry on the whole of Austria in this thing, and we occupy one-third of it.

On cotton they are below prewar, but perhaps not below what they ought to be, probably with 26,000 tons. From where would that come?

Mr. NORTHRUP. Cotton for Austria?

The CHAIRMAN. Yes.

Mr. DODD. From this country, largely from this country and Egypt.

The CHAIRMAN. From this country and Egypt?

Mr. DODD. Yes, sir.

The CHAIRMAN. That would mean that we were sending cotton into the whole of Austria, would it not, including the area behind the iron curtain?

Mr. DODD. All of Austria is included in the program, that is correct.

Mr. NORTHRUP. Of the 26,000 tons of imports, 21,000 tons were from the United States and 5,000 tons from other nonparticipating countries which probably would be Egypt and that area.

The CHAIRMAN. That means that we are taking care of the Austrians on cotton behind the iron curtain.

Mr. DODD. All of Austria is in the program. That is correct the way the Government is set up at the present time.

The CHAIRMAN. In Belgium you are getting their tobacco picture up, but not quite to prewar.

Mr. DODD. Just a little above it.

The CHAIRMAN. Just a little above prewar?

Mr. DODD. Yes, just a little bit above.

The CHAIRMAN. And you are getting your cotton picture pretty close up to the prewar picture.

Mr. DODD. That is right.

The CHAIRMAN. All the way up as far as the amount available goes, or above it.

Mr. NORTHRUP. When you say a figure above prewar on tobacco, in nearly every instance that refers to two things, Mr. Chairman, which should be borne in mind; one, it reflects a restoration of present low stock positions in their own country. They have not been able to buy it and their stocks are very low, and it also reflects, to some degree an increase in the rate of consumption, if they can get it.

The CHAIRMAN. On cotton where prewar they had available in Belgium 77,000 tons, and last year 87,000 tons, and the year before 74,000 tons, here they are asking for an increase up to 92,000 tons.

Mr. NORTHRUP. That reflects an attempt to meet the requests of the Belgians themselves for their own mill consumption, which would appear to be good business because it is very important to their own industrial economy.

The CHAIRMAN. I wonder how it balances up. You have 14,000 tons to come out of the ECA set-up.

Now, in Denmark you have 10,000 tons of tobacco as against a prewar figure of 8,000 tons.

Mr. NORTHRUP. That is right.

The CHAIRMAN. And 4,400 tons coming out of ECA.

Mr. NORTHRUP. That is right.

The CHAIRMAN. That looks like a rather liberal allotment.

Mr. NORTHRUP. That again reflects that stock position which I mentioned to you, Mr. Chairman.

The CHAIRMAN. They had 13,700 tons available in 1946, and 10,000 tons in 1947 as against a prewar figure of 8,000 tons. It could hardly be due to that alone.

Mr. NORTHRUP. No, sir, not entirely; it is that plus the increase in consumption.

The CHAIRMAN. It could hardly be the stock position.

Mr. DODD. Their consumption is up over prewar about half a pound a person.

The CHAIRMAN. And on cotton you have that away above the last 2 years and equal to the prewar figure, practically.

Mr. NORTHRUP. That is correct.

Mr. NITZE. It is just slightly above it.

Mr. NORTHRUP. Yes; very slightly.

The CHAIRMAN. Now, you get into France and tobacco is above the prewar figure.

Mr. DODD. Not on consumption.

The CHAIRMAN. What?

Mr. DODD. Not on consumption. Our figures show that about even in France.

The CHAIRMAN. It is 65,000 tons as against 64,200 tons. It is not a big jump, but it is a jump, according to these figures.

Mr. NORTHRUP. From the statisticians' viewpoint those are the same figures. On a per capita basis it is almost the same.

The CHAIRMAN. And we are providing ECA funds for 18,300 tons.

Cotton is down for 276,000 tons consumption as against 219,000 tons prewar, and a 50 percent increase over last year, and a 35 percent increase over the year 1946, with 118,900 tons financed by ECA. That looks like a very friendly allotment.

Mr. DODD. That is 3 pounds per capita more than they had pre-war.

The CHAIRMAN. Yes; and that means that they are in better shape than they were prewar.

Mr. DODD. That is right.

The CHAIRMAN. Greece really seems to be down in her figure below prewar on cotton, and she does not import tobacco?

Mr. NORTHRUP. She is an exporter of tobacco.

The CHAIRMAN. Yes. This tobacco figure for Iceland is a good one. I do not know just how you explain it. Look at it, and see what you think about it.

Mr. NITZE. I think when we get down to these small numbers they involve amounts less than 500 pounds.

The CHAIRMAN. You cannot expect to have anything jibe when you get down that far, is that it?

Mr. NITZE. Well, there are errors in the numbers. I think I could explain it from these tables.

The CHAIRMAN. Now, just give us the correction on it. Do not try to explain it.

Mr. NORTHRUP. The tobacco figures represent something less than 500 pounds.

The CHAIRMAN. They do not import, and they do not export, but they have to have 200 tons.

Mr. NORTHRUP. That is right.

The CHAIRMAN. They have to have 200 tons of tobacco out of ECA, and they do not either import or export.

Mr. NORTHRUP. May I explain that?

The CHAIRMAN. Do they produce it and then do we buy it and give it to them? That is the only explanation I can see in this instance.

Mr. NORTHRUP. The blank figures under 1947 and 1946 actually may be something less than 500 pounds, and in the preparation of this table fractions of less than half a ton were dropped except in the ECA finance column. Actually there may be a few hundred tons going to Iceland.

The CHAIRMAN. That is not the way it is on those other figures on Ireland?

Mr. NORTHRUP. It might well be.

Mr. KERR. Do you not think the man living in Ireland ought to have a smoke if he wants one?

The CHAIRMAN. In Ireland they ought to have enough money to pay for it. That is the only thing I criticize on that, and I figure they ought to be paying for it instead of being financed by ECA. On cotton it is the same way. May be they do not use cotton.

In the case of Italy you are going to let Italy have above 50 percent more tobacco, and she produces 45,000 tons.

Mr. WIGGLESWORTH. We are going to import 3.9 thousand tons and she is going to export 5,000 tons.

The CHAIRMAN. It looks that way.

Mr. NITZE. The difference is in grade.

Mr. KERR. Practically all of that goes to the United States and England. I will have put in the record the amount of tobacco that Italy, Greece, and Turkey export to this country.

Mr. WIGGLESWORTH. Well why do they need ECA assistance if they are going to export all that we send them and more?

Mr. NITZE. As I stated the other day as to these ECA financed shipments, the ECA Administrator might decide not to finance that particular item. It is part of their imports. They are going to import some tobacco.

Mr. WIGGLESWORTH. They are going to import some and they are also going to export some?

Mr. NITZE. Yes.

Mr. NORTHRUP. Italy requires some imports of tobacco of certain grades that will blend with their own native production for the quality of product that they manufacture there. It has always been so.

The CHAIRMAN. Now, it looks as though we were crowding cotton on to Italy pretty hard. Prewar she had 140,000 tons, and in 1946 she had 200,000 tons and only had 2,600 tons left for her own use. In 1947 she was given 123,900 tons and she had 3,000 tons production which gave her 127,000 tons. I just do not understand that available supply business in 1946.

Mr. NORTHUP. We should correct your figure to 203.3 thousand tons, Mr. Chairman.

The CHAIRMAN. 203.3?

Mr. WIGGLESWORTH. In which column?

Mr. NORTHRUP. The available supply column, 1946–47.

The CHAIRMAN. The last one.

Mr. NORTHRUP. There is a correction in the 1948–49 figures, Mr. Chairman, a very small correction, to show a domestic production of 4,000 tons with a total available supply of 202,000 tons.

The CHAIRMAN. That is quite a little above prewar, and with 103,000 tons financed by ECA it does look like we were going to put a shirt on every back over there.

Mr. NORTHRUP. I am not sure to what degree that is correct, but again this is a raw material item which the Italian Government and the Italian people have told this country is very highly important to their recovery program. It is, as you know, an item out of which they can make textiles and export them.

Mr. NITZE. Before the war, I think Italy was one of the largest rayon producers in the world. Rayon requires wood pulp, which is in short supply and coal which is in short supply, and it is much more efficient to use this cotton today than it is to use short coal and short wood pulp for making rayon. Italy's requirements for cotton therefore, are larger today than prewar by virtue of her previous rayon production.

Mr. DODD. It is true that they really have their textile mills going, and that they are doing a good job of getting their exports ready to ship to the world which is in short supply of textiles.

Mr. NORTHRUP. We are very glad to see them planning this kind of a program in Italy on this item.

The CHAIRMAN. The Netherlands are getting more tobacco than prewar; 14,000 tons under ECA; considerably more than 1946 and 1947.

Mr. DODD. Per capita, though, it is still a little below prewar.

The CHAIRMAN. And they are getting more cotton than prewar by a considerable amount. They have not had less than prewar since the war ended; that is, 1946 and 1947. And we are financing 32,900 tons. That sounds a little out of line, does it not?

Mr. NORTHRUP. The same statement might be made there as was made for Italy, but just to a different degree.

The CHAIRMAN. For Norway, you have under ECA shipments financed, 1,400 tons of tobacco, with an availability double prewar; and 1946 and 1947 are likewise away above prewar.

Mr. NORTHRUP. There again there are two very important factors; a low stock position plus increasing consumption since prewar.

The CHAIRMAN. The figures for 1946 and 1947 are 50 percent above prewar and for 1948 they are set at practically double.

Mr. DODD. In the per capita figure they have gone up about 1 pound; they were using 2 pounds before the war and 3.2 pounds is the estimated figure for 1948. They are still small users of tobacco in total.

Mr. NITZE. Tobacco consumption has gone up tremendously in the United States and it has gone up in the rest of the world as well.

Mr. DODD. But it is still low in Norway as compared with these other countries.

The CHAIRMAN. For cotton, the figures show that they seem to have had more cotton or just as much cotton since the war ended as they had prewar. This is set up for a larger amount than they had.

Mr. NORTHRUP. Quantitatively that is very small.

The CHAIRMAN. Yes, that is true.

Portugal is also in the running for more cotton, but if she finances it herself, I suppose that is her business.

The tobacco picture is pretty nearly double what it was prewar.

Mr. NORTHRUP. Very little above the last year or two.

The CHAIRMAN. That is true.

For Sweden you have tobacco 50 percent above prewar and under ECA-financed shipments, you have about 20 percent of it. That sounds like rather a liberal figure.

Mr. NORTHRUP. Their total supply on these tables would be less than last year.

The CHAIRMAN. That is perhaps so. But I do not see why the ECA should be getting in on it. Under cotton, they are being boosted above prewar.

Mr. NORTHRUP. That is right.

The CHAIRMAN. Switzerland, in the tobacco picture, seems to be above prewar.

Mr. DODD. Just 50 percent.

The CHAIRMAN. And above last year.

Mr. NORTHRUP. A little bit.

The CHAIRMAN. Their cotton picture is also above either one of those figures.

Mr. DODD. My figure shows it to be just the same for cotton as prewar; that is, on a per capita basis.

The CHAIRMAN. Turkey does not import tobacco or cotton; they produce cotton?

Mr. DODD. That is right.

The CHAIRMAN. Those figures are not shown here.

Mr. NORTHRUP. They are missing in my table, too.

The CHAIRMAN. They must have some importation there. Perhaps you could fix that up for the record.

Mr. NORTHRUP. Yes, sir. It is estimated that Turkey will produce 65,000 tons in 1948–49 and have a supply of 60,000 tons after exporting 5,000 tons.

The CHAIRMAN. For Great Britain you have what picture?

Mr. DODD. Both tobacco and cotton may be below prewar, per capita.

Mr. NORTHRUP. On a total-supply basis.

Mr. DODD. Quite a little below on cotton, just a little below on tobacco.

The CHAIRMAN. Why would they import 134,000 tons and have 109 available? That means export, does it not?

Mr. NORTHRUP. Yes. They reexport manufactured tobacco.

Mr. KERR. The Government buys a lot of tabocco to sell.

The CHAIRMAN. The cotton figure seems to be below prewar.

Mr. DODD. Yes, sir; quite a good deal below.

The CHAIRMAN. I suppose their textile business is pretty well shot. You show 152,000 tons of cotton to be financed in this program.

Mr. DODD. They are trying to keep their wool textile business up but their cotton textile business is away down.

The CHAIRMAN. The figures for western Germany are away down. I think I have no further questions from this table.

FERTILIZER

STATEMENT OF W. G. FINN, ASSISTANT TO THE ASSISTANT ADMINISTRATOR FOR PRODUCTION, PRODUCTION MARKETING ADMINISTRATION, DEPARTMENT OF AGRICULTURE

The CHAIRMAN. We will take up the fertilizer item. We have with us Mr. Finn from the Department of Agriculture. What is your position, Mr. Finn?

Mr. FINN. Assistant to the Assistant Administrator for Production, Production Marketing Administration.

The CHAIRMAN. In charge of the fertilizer picture?

Mr. FINN. That is correct.

The CHAIRMAN. Do you cover fertilizer, phosphates, and potash all three?

Mr. FINN. All three; yes, sir.

AMOUNT OF FERTILIZER TO BE EXPORTED BY UNITED STATES UNDER PROGRAM

The CHAIRMAN. According to this table of supplying countries, the ECA program is to provide 70,000 tons out of the United States?

Mr. FINN. Yes, sir.

The CHAIRMAN. That is the only item connected with the fertilizer picture that comes out of the United States.

Mr. FINN. There is a small amount of unprocessed phosphate rock. It is not the type of phosphate listed here which is soluble phosphate manufactured in the United States. The item not shown in your table is unprocessed rock taken directly from the mine; they do the processing over there.

The CHAIRMAN. There seems to be another item from other Western Hemisphere countries of 106,000 tons.

Mr. FINN. That is nitrogen from Chile and Canada.

METHOD OF FINANCING OF FERTILIZERS FROM WESTERN HEMISPHERE

The CHAIRMAN. Is that bought and paid for by us?

Mr. FINN. That is financed, as I understand, in part with United States dollars.

The CHAIRMAN. How much does that run?

Mr. NORTHRUP. You mean per ton?

The CHAIRMAN. How much does it run in dollars?

Mr. NITZE. It is shown in the thin book, page 4, line 15; total shipments from Western Hemisphere $42,800,000. Estimated ECA obligations during this year 20.6 million dollars.

The CHAIRMAN. Does this mean that these items—that is, the 106,000 and the 70,000 and the 212,000, totaling 388,000—does it mean that the whole purchase price of that is financed under ECA?

Mr. NITZE. No. It means that the first 2 items, the 70,000 and the 106, are exports from Western Hemisphere to these countries. These figures that are on your mimeograph sheet are for the fiscal year 1948–49. The figures which are in the book are for a 15-month period, April 1, 1948, to June 30, 1949. The 15-month equivalent of 176,000 tons, in the mimeograph sheet, are included in the $42,800,000 figure on line 15, column 1, of the book. In other words, the book covers only shipments from the Western Hemisphere.

The CHAIRMAN. That is all financed by us?

Mr. NITZE. No. Of that amount it is estimated that 6.8 million dollars would be financed by dollar earnings of the countries themselves; 12 million dollars from loans, credits, and other sources and the amount with respect to which ECA might make obligations during the year would be 20.6 million dollars or about half of the total.

The CHAIRMAN. This 200,000 is not financed by us at all?

Mr. NITZE. That is correct.

The CHAIRMAN. That is an import direct from some other place, is that right?

Mr. NITZE. That is correct.

The CHAIRMAN. That is the item of trade with which the ECA has nothing to do?

Mr. NITZE. That is correct.

PHOSPHATE

The CHAIRMAN. Taking up the phosphate picture now, there seems to be 98,000 tons from nonparticipating countries?

Mr. FINN. That is right.

The CHAIRMAN. And from participating countries in Europe 314,000?

Mr. FINN. That is right.

The CHAIRMAN. Where would that come from?

Mr. NITZE. The 98,000?

The CHAIRMAN. Yes.

Mr. FINN. That would come from sources outside of these participating countries.

The CHAIRMAN. Where?

Mr. NITZE. That has not been listed, the other nonparticipating countries.

The CHAIRMAN. What about the 314,000, where does that come from?

Mr. FINN. That is all participating countries, trade among those countries. Do you have that broken down, Mr. Watkins?

Mr. DODD. France and Italy largely; Italy has the largest production.

Mr. WATKINS. Also, Belgium has quite a bit of that.

The CHAIRMAN. Where does it come from, the French zone of Germany or from the French colonies in Africa?

Mr. FINN. The unprocessed rock comes from the French colonies of Africa. The soluble phosphates, the item which is listed here, comes from Belgium, Italy, and France.

Mr. WATKINS. Belgium, Italy, the Netherlands, and the Saar are the four largest supplying countries.

Mr. FINN. The largest single one would be Belgium-Luxemburg; Italy is a large one and the French zone of Germany.

The CHAIRMAN. And the Netherlands.

Mr. FINN. Yes, sir, the Netherlands. That is 60,000 tons P_2O_5; Italy is 20,000 tons P_2O_5.

Mr. WIGGLESWORTH. To what extent, if any, is this total of 412,000 tons financed by ECA?

Mr. FINN. I think none.

Mr. NITZE. None.

POTASH

The CHAIRMAN. Under potash, you have 582,000 from other participating countries. Where does that come from?

Mr. FINN. Principally eastern Germany; the Russian-occupied zone of Germany.

The CHAIRMAN. That is financed how? By us or by somebody else?

Mr. NITZE. Not by ECA. May I correct my previous statement, Mr. Chairman? The item of north African phosphate rock, of which Mr. Finn spoke, would be financed to the extent of $1,000,000; not the soluble phosphate.

The CHAIRMAN. The phosphate rock is not shown here in this list?

Mr. NITZE. That is right.

The CHAIRMAN. The 175,000 tons of potash, from other participating countries, comes from which countries?

Mr. FINN. Principally France—I believe all of it from France.
The CHAIRMAN. Financed how?
Mr. FINN. Not by the ECA.
Mr. NITZE. That is correct.

STOCKS, PRODUCTION, IMPORTS, TOTAL SUPPLY, AND EXPORTS OF FERTILIZERS

Mr. WIGGLESWORTH. Have you available as yet a table of availability for these three commodities?

Mr. FINN. Yes, I have a table. We have only recently had the opportunity of putting these figures together and I regret that the tonnages have not been converted to metric tons as in your other tables. They are shown here in terms of short tons. We will make the conversion to metric tons and supply the committee with a corrected table.

EDITOR'S NOTE.—A revision of this table referred to including additional information subsequently requested may be found on p 465.

There is no available record of stocks. Generally speaking it is a nominal pipe-line figure and does not change much from the beginning to the end of the year. We think the figures contained here are valid without the beginning or ending stocks.

For nitrogen, phosphates and potash, production is listed; also, the imports, total supply, and domestic disappearance. There is an analysis of the exports as to the total and for ERP countries separately.

As to nitrogen, the United States is listed as a source of supply. Under that item it is noted here that the estimated commercial production for 1948–49 is 705,000 short tons. During the current year it was 690,000 short tons; the year previous it was 665,000 and prewar 215,000.

The CHAIRMAN. We are only set to export for this purpose 70,000 tons?

Mr. FINN. Seventy thousand tons total. Of this the Army is supplying 47,000 tons from ordnance production, and the commercial sources, reflected in the table are listed for 23,000 tons.

RELATION OF IMPORTS TO EXPORTS OF FERTILIZER

The CHAIRMAN. What bothers me about that is that the imports are running practically as much as prewar.

Mr. FINN. One hundred and eighty-seven thousand tons during the current year; almost equal to prewar; yes, sir.

The CHAIRMAN. With exports of only 70,000 tons and a production of 300 percent or more of the prewar picture, why should we have a shortage of fertilizers in the United States?

Mr. FINN. It is because the demands of our own farmers has gone up so rapidly, Mr. Chairman. This has grown in part out of the efforts to produce at a high rate.

The CHAIRMAN. Our production has not gone up anything like three times.

Mr. FINN. No. Not all of the acreage has been treated to fertilizer. There has been a great growth in the acreage treated and there has been an increase in the rate per acre of application. But inasmuch as we are still producing on a great deal of unfertilized

land, there could not be a direct relationship between the increase in the supply of fertilizer and the increase in the production.

Mr. DODD. I wonder if I might speak to that for just a minute.

The CHAIRMAN. Yes.

Mr. DODD. We have plowed up about 11,000,000 acres of grass and legume land in the Corn Belt, and put it into corn, soybeans and other depleting crops. It we had kept our rotation as we should, it would not take so much fertilizer. But we have not been able to get back on rotation, and without the grasses to plow down it means more fertilizer. That part of the country used very little fertilizer before. The farmers are now using a good deal of nitrogen fertilizer.

Mr. FINN. The success of hybrid corn and the improved varieties of other crops is dependent upon adequate supplies of plant food. Our consumption of phosphates and potash has risen along with that of nitrogen. It is the general increase in demand for all forms of fertilizers in the country that gives rise to the shortage. We have a great deal more supply, but the rate of growth in supply is not as great as the rate of growth in the demand.

RELATION OF DOMESTIC CONSUMPTION AND EXPORTS TO TOTAL SUPPLY

Mr. WIGGLESWORTH. In 1947–48, the domestic disappearance plus the exports consumed every ton of production. In other words, there was no carry-over at all?

Mr. FINN. I explained awhile ago, we do not know what the carry-over is, either at the beginning or end of the year.

Mr. WIGGLESWORTH. There cannot be any carry-over if we used 816,000 tons domestically and exported 61,000 tons. The total supply is only 877,000, according to this table.

Mr. FINN. The total supply is 877,000 tons. But if the carry-over at the end of the year were the same as at the beginning then the results indicated would follow. Failure to show a carry-over does not alter the fact that there was that much fertilizer consumed domestically and exported. We think 816,000 tons is a reasonably true figure for domestic consumption.

Mr. WIGGLESWORTH. If these figures are accurate, there would not be enough in 1947–48 to export the total called for in 1948–49 and to meet the domestic demand.

Mr. FINN. The figures here are for commercial production only. They do not include the production of ordnance plants operated by the Army. Of the amount of 70,000 tons shown in the table to go into the ERP area, 23,000 tons are from United States commercial production and 47,000 are from Army's production.

Mr. WIGGLESWORTH. Is not the Army's own production included in these figures?

Mr. FINN. It is not.

Mr. WIGGLESWORTH. Not at all?

Mr. FINN. No; this is commercial production only.

Mr. WIGGLESWORTH. Then this does not give us an over-all picture of the situation.

Mr. FINN. It does not in respect to the Army production.

Mr. WIGGLESWORTH. Well, in respect to the country?

Mr. FINN. It lacks showing the total by the amount of the Army's production.

Mr. WIGGLESWORTH. When you revise this table, can you not give us the over-all picture instead of only the commercial picture?

Mr. FINN. We will be glad to include the Army's figures; yes.

The CHAIRMAN. These figures in those participating country columns are not the total exports from this country to the ERP countries, are they?

Mr. FINN. No; not in the draft of table that I brought this afternoon.

The CHAIRMAN. Are there any exports outside of participating countries?

Mr. FINN. Yes; the difference between total exports of 61,000 tons shown in the fifth column and the amount for participating countries to other destinations; some to the Far East, some to Latin America.

Mr. WIGGLESWORTH. I notice you have a footnote B under domestic disappearance for 1948–49, and the footnote says that the quantities in footnote A will determine these amounts. Footnote A says: "Amounts will depend on IEFC allocations." Why should our domestic needs be determined by IEFC allocations?

Mr. FINN. Nitrogen has been allocated for the past several years, and it is expected that there will be allocations during the coming year.

Mr. WIGGLESWORTH. Domestically?

Mr. FINN. No; for import and export movements only. If there are allocations, these would determine how much the import would be and also how much the export would be.

Mr. WIGGLESWORTH. I am talking about the domestic disappearance.

Mr. FINN. Yes.

Mr. WIGGLESWORTH. In other words, the amount you can shift to export depends upon the amount of domestic need.

Mr. FINN. Yes.

Mr. WIGGLESWORTH. You indicate in this table what the domestic need will be, and that the domestic need will depend upon the IEFC allocation.

Mr. FINN. That is what we have in this table. We do not know what the exports will be, nor do we know what the imports will be. We are assuming, as the footnote indicates, that the imports will be about the same as for 1947–48, also that the exports will be about the same as they were for 1947–48.

Mr. WIGGLESWORTH. But you also tell us that you do not know what the domestic requirements will be.

Mr. FINN. The table makes no effort to show what the domestic requirements are, or what they have been; it shows production, trade, and net disappearance.

Mr. WIGGLESWORTH. You show the domestic disappearance in column 5.

Mr. FINN. Yes.

Mr. WIGGLESWORTH. For the years, prewar, 1946–47, and 1947–48, but you do not show what the needs were nor what the re uirements were.

Mr. FINN. The needs have increased greatly, and——

Mr. WIGGLESWORTH. That is what I think the committee wants to know, what the needs are going to be in the fiscal year 1949, and what the available supply against those needs is. And on that point your table does not give the information at all. On the contrary it makes needs depend upon the I. E. F. C. allocations, as I read it.

INADEQUACY OF SUPPLY OF NITROGEN FOR DOMESTIC PURPOSES

Mr. DODD. I think I can safely say, Mr. Wigglesworth, that we will not have enough nitrogen to supply our needs for domestic purposes.

Mr. WIGGLESWORTH. We will not have enough nitrogen?

Mr. FINN. We will not have enough with or without this program.

Mr. DODD. We will not have enough nitrogen for 1948–49 to supply our domestic demand; we have not been able to meet demands for a number of years.

Mr. WIGGLESWORTH. And yet you are proposing to increase the exports against the available supply.

Mr. FINN. No; it is not proposed to increase exports.

Mr. WIGGLESWORTH. You show an increase from 61,000 tons to 76,000 tons.

Mr. FINN. There seems to be some confusion. The Army production enters into the picture and this is not shown in the table relating to the commercial supplies. The footnote indicates that we expect the commercial exports will be about the same, certainly no more than 1947–48.

Mr. WIGGLESWORTH. I do not think this table supplies the information that the committee wants.

Mr. FINN. We will be happy to supply it if we can.

Mr. WIGGLESWORTH. We want to get an over-all picture of the available supply and of the domestic needs, and what is contemplated for export. Does the same confusion apply to the phosphate and potash figures in this table?

Mr. FINN. No. The Army is not involved in the production of potash or phosphates.

The CHAIRMAN. There is no estimate for potash for 1948–49.

Mr. FINN. No. It will be some higher than for 1947–48.

The CHAIRMAN. You will be able to supply those figures.

Mr. FINN. Yes.

The CHAIRMAN. I think you should have them here tomorrow, if you can.

Mr. WIGGLESWORTH. It looks as though the 1948–49 figures on potash, total supply, show 2,025,000 tons.

Mr. FINN. That is the figure for phosphate.

INABILITY TO ESTIMATE DOMESTIC STOCKS

Mr. WIGGLESWORTH. Yes; 1,950,000 tons for domestic use, and 75,000 tons for export, which will leave no carry-over whatsoever. Is that right?

Mr. Finn. Well there is some carry-over in the trade. We do not know what it is. No record that we are aware of shows the exact tonnage of carry-over at the beginning or end of the year.

Mr. DODD. That is material that is in the pipe lines.

Mr. FINN. That is right.

Mr. DODD. There is no way to estimate the amount that is scattered throughout the country among the distributors.

Mr. FINN. We have made up the table assuming that what was produced during the year would be in addition to the stock on hand at the beginning of the year; with deliveries at the same level as production would leave the same stock at the end of the year as at the beginning.

The 2,000,000 tons of P_2O_5 which we estimate for 1948–49 production will be augmented by about 25,000 tons of imports. We expect a normal amount of exports would go out—not to participating countries but regular trade. Domestic disappearance, or consumption would utilize 1,950,000 tons of phosphate.

While we do not have corresponding figures for potash, we are sure they will reflect an increase over those shown for 1947–48.

Mr. WIGGLESWORTH. This table indicates, in each of the three instances, nitrogen, phosphate, and potash, that we are going to use up every pound available if this program is adopted?

Mr. NORTHRUP. Will we have any left?

Mr. FINN. That is not correct. The producing industry requires some of its production daily in the factory pipeline; brokers and jobbers require some stocks if they are going to remain in business; and retailers must have have stocks in their establishments. These stocks in the trade we have made no attempt in the table to show.

The CHAIRMAN. The drop in stocks is along in the wintertime.

Mr. FINN. This table is made up from the beginning of July to the end of June. At such times the stocks are at the lowest level of the entire year. I think it is true that regardless of how big, or how small the stocks are, this production, plus that which is imported, minus the exports, can be consumed. Such consumption will take place in the coming year.

It does not follow that there are no stocks. We do not know what they are, and consequently we have left the spaces blank in the table.

Mr. WIGGLESWORTH. In no one of the three instances is it possible to meet the domestic needs?

Mr. FINN. No; it is not. We are nearest to it in the case of phosphate. The potash shortage is serious but it is not so acute as the nitrogen shortage. We do not expect, during the coming year, to have nearly enough nitrogen to meet requirements; we would not have, if there were no export program whatsoever. We have not been able to meet domestic needs for several years, notwithstanding the large increase in production.

POSTWAR DECREASE OF POTASH IMPORTS

The CHAIRMAN. Why would our imports of potash drop off so markedly from the prewar figures?

Mr. FINN. That is a very interesting development. You will note that prewar production—figures for the period 1935–39—was relatively small. Our own production industry was just developing, beginning during the early thirties and was getting up to the current level. We still had to import, principally from Germany. The 209,000 tons of imports came chiefly out of the area now occupied by the Russians. When the war broke out this movement was cut off, and there has been no resumption. Some fifteen or sixteen thousand tons have come from France—but very little resumption of the potash imports we had prewar. If we could get some substantial quantity of potash from Europe our demands could easily be met in full. One of the things we hope will be accomplished through the operation of the ERP program is a sufficient expansion of production in France and other areas to enable us to meet this deficiency. We have not been able to meet it from our own production.

Mr. WIGGLESWORTH. What was the estimated deficiency in each instance in the current year, for instance?

Mr. FINN. We have not made an official estimate of the deficiency, Mr. Wigglesworth, but it was in the neighborhood of 10 percent.

Mr. WIGGLESWORTH. In each instance?

Mr. FINN. No; in the case of potash.

Mr. WIGGLESWORTH. Ten percent in potash.

Mr. FINN. In the case of phosphate I would say it was 5 percent. And in the case of nitrogen I would estimate the deficiency was close to 20 percent.

Mr. KERR. Is it contemplated that this fertilizer would be mixed in this country?

Mr. FINN. No.

Mr. KERR. The analysis is set up along with the allotment.

Mr. FINN. The fertilizer that would go to Europe would be nitrogen; none of the phosphates or potash would go; and no mixed fertilizer would be included.

IMPORTS OF FERTILIZER FROM CHILE

Mr. KERR. What percentage are we getting now from Chile?

Mr. FINN. Of the 187,000 tons of nitrogen imports for the current year about 100,000 tons comes from Chile and about 85,000 tons from Canada. Thus of the total United States supply of 816,000 tons approximately one-eighth would be from Chile.

Mr. DODD. And it might be stated that the production from the Army plants is very much more expensive than from the commercial plants.

The CHAIRMAN. Are there any further questions concerning the supply of fertilizer?

Mr. WIGGLESWORTH. No; except I hope we can get a correct set of figures.

The CHAIRMAN. You can bring those figures up with you in the morning?

Mr. FINN. Yes.

THURSDAY, APRIL 29, 1948.

The CHAIRMAN. Mr. Finn, do you have some kind of a table prepared for us to look at this morning?

Mr. FINN. Yes, Mr. Chairman, I have a table, No. 3, showing the stocks, production, imports, total supply, and exports of fertilizer for the United States for specified periods, covering nitrogen, soluble phosphate, and potash.

BREAK-DOWN OF STOCKS, PRODUCTION, TOTAL SUPPLY, IMPORTS AND EXPORTS

The CHAIRMAN. I believe that table should be made a part of the record.

(The table referred to follows:)

TABLE 3.—*Stocks, production, imports, total supply, and exports of fertilizer for the United States for specified periods*

[Thousands of metric tons]

Commodity	Year	Carry-in stocks [1]	Production	Imports [2]	Total supply	Domestic disappearance	Exports to— All countries: Quantity	Exports to— All countries: Percent of supply	Exports to— ERP countries: Quantity	Exports to— ERP countries: Percent of exports	Carry-out stocks [1]
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Nitrogen (N):											
A. Commercial supply.	1948–49 [3]	-------	640	[4] 170	810	755	[4] 55	7	[5] 23	[5] 42	-------
	1947–48 [3]	-------	626	170	796	741	55	7	23	42	-------
	1946–47	-------	603	169	772	711	61	8	25	41	-------
	Prewar [6]	-------	195	179	374	337	37	10	7	19	-------
B. Army production.	1948–49	-------	244	-------	244	-------	244	100	47	19	-------
	1947–48	-------	230	-------	230	-------	230	100	47	20	-------
	1946–47	-------	95	-------	95	-------	95	100	26	27	-------
	Prewar [6]	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------
Suluble phosphate (P_2O_5).	1948–49 [3]	-------	1,814	23	1,837	1,769	68	4	-------	-------	-------
	1947–48 [3]	-------	1,733	27	1,760	1,679	81	5	(7)	(7)	-------
	1946–47	-------	1,608	36	1,644	1,583	61	4	(7)	(7)	-------
	Prewar [6]	-------	654	26	680	652	28	4	(7)	(7)	-------
Potash (K_2O)	1948–49 [3]	-------	925	23	948	894	54	6	-------	-------	-------
	1947–48 [3]	-------	857	15	872	817	55	6	-------	-------	-------
	1946–47	-------	813	14	827	775	52	6	-------	-------	-------
	Prewar [6]	-------	210	190	400	341	59	15	-------	-------	-------

[1] Beginning and ending stocks for fertilizer only such limited quantities as required for pipe line.
[2] Imports include shipments from United States territories; exports include shipments to United States territories.
[3] Estimated.
[4] Amounts subject to IEFC allocations; for purposes of this table imports assumed to be about same as in 1947–48; exports not expected to be more than in 1947–48.
[5] Preliminary working figure in ERP computations.
[6] 5-year average, calendar years 1935–39.
[7] Negligible.

Mr. FINN. You will note this table now shows some information we did not have in the draft of table presented yesterday. This includes the production and utilization of the Army material in the case of nitrogen. For 1948–49 commercial, entries are shown both for nitrogen and potash that were not included in the draft of the table we had yesterday.

We have also given as completely as we think can be stated, a footnote showing the true situation as to stocks of fertilizer at the beginning and end of the year. Stocks for fertilizer are only such limited quantities as required for the pipe line. That is different from most farm-produced commodities that come out of an annual harvest and therefore have significant stocks at any given time.

The CHAIRMAN. You see the warehouses bulging with the stocks piled up through the winter.

Mr. FINN. The figures in the table are for the period July 1 to June 30, the mid-summer period, when previous months supplies would have been used and before new supplies were produced.

ARMY PRODUCTION AND EXPORTATION

The CHAIRMAN. Of the Army production 47,000 tons of that is supposed to go to the participating countries?

Mr. FINN. Occupied Germany, the bizone.

The CHAIRMAN. Does that cover the whole thing; that is, of the 244,000 tons which they produce, all of it is exported?

Mr. FINN. That is correct, to occupied areas of the Pacific and Germany. Of this, 47,000 tons goes to occupied Germany. Then 23,000 tons goes out of commercial production to ERP countries. The sum of those two amounts is the 70,000.

The CHAIRMAN. Yes.

Mr. FINN. Which you had in the base table yesterday.

The CHAIRMAN. What about the balance?

Mr. FINN. The balance of the Army production goes to Japan and Korea, which is not analyzed in this table. It is all exported.

JAPAN-KOREA FERTILIZER SUPPLY AND IMPORTS

The CHAIRMAN. I do not know whether you can answer this question or not but I want to develop the information so far as we can. Where did they get the fertilizer in Japan and Korea in days gone by?

Mr. FINN. Both Japan and Korea had production establishments of their own and prewar produced essentially all they required.

The CHAIRMAN. How much is going to Japan and Korea?

Mr. FINN. The difference between 244,000 and 47,000 tons.

The CHAIRMAN. What would that give to Japan and Korea?

Mr. FINN. It would give them imports of almost 200,000 tons—197,000 tons.

Mr. STEFAN. That is out of Army production?

Mr. FINN. That is correct.

Mr. STEFAN. Out of the 244,000?

Mr. FINN. That is correct.

The CHAIRMAN. That figure does not seem to be shrinking any?

Mr. FINN. No.

The CHAIRMAN. It seems to be increasing.

Mr. FINN. That is correct.

The CHAIRMAN. Have they no fertilizer production in those places at the present time?

Mr. FINN. Yes; they have in Japan. The details of that could better be given by the Army, but I think in general I can supply the information to the committee.

The prewar production of nitrogen in Japan and Korea amounted to roughly speaking, 400,000 tons.

The CHAIRMAN. 400,000 tons?

Mr. FINN. About 400,000 tons. The Army under the occupation is increasing production in Japan. The Korean facilities are in north Korea occupied by the Russians. The United States occupies the southern portion of Korea where there is no nitrogen production. So we can rely only on the production in Japan proper. In Japan proper they are producing around 200,000 tons of contained nitrogen.

The CHAIRMAN. What is that?

Mr. FINN. The basis on which these figures is assembled is pure nitrogen or contained nitrogen.

The CHAIRMAN. How does that compare with prewar?

Mr. FINN. It is about half of prewar.

The CHAIRMAN. You mean that all of the Japanese and Korean production was in Japan?

Mr. FINN. It is now for the area occupied by the United States. Before the war there was some production in Korea, but in the portion which the Russians now are occupying.

The CHAIRMAN. I understood you to say that Japan and Korea produced 400,000 tons.

Mr. FINN. That is right.

The CHAIRMAN. And now Japan is producing about 200,000 tons?

Mr. FINN. Yes.

The CHAIRMAN. Of the 400,000 tons how much was produced in Japan.

Mr. FINN. In Japan proper?

The CHAIRMAN. Yes.

Mr. FINN. I do not have that information. Most of it was in Japan proper, but exactly the division I am unable to give.

Failure to produce as much as prewar in Japan is the result of bombing and other military operations that destroyed and damaged facilities. They have been repairing the facilities and production has been increasing. By about 1951 the Army estimates that production of Japan should be sufficient to meet their requirements in full and that shipments from ordnance production will no longer be necessary.

The CHAIRMAN. How is it split between Japan and Korea?

Mr. FINN. The current figures?

The CHAIRMAN. The 197,000 tons.

Mr. FINN. It is about 60 to 40, between Japan and Korea.

The CHAIRMAN. You mean that Japan would have 300,000 tons and Korea 100,000 tons, approximately?

Mr. FINN. I understand Japan will have about 320,000 and Korea about 75,000 tons of nitrogen for 1947–48.

The CHAIRMAN. Out of the Japanese production and the imports.

Mr. FINN. That is right. They have no sources of supply other than their own production in Japan and shipments made from ordnance production in the United States.

PRODUCTION OF NITROGEN AS BYPRODUCT OF STEEL PRODUCTION

The CHAIRMAN. It is my understanding that in Germany nitrogen was secured in substantial amounts as a byproduct from steel production.

Mr. FINN. That is correct.

The CHAIRMAN. Is there any such byproduct in England?

Mr. FINN. Yes; there is.

The CHAIRMAN. Quite substantial?

Mr. FINN. Yes; it is substantial.

The CHAIRMAN. Are they able to export?

Mr. FINN. They do.

The CHAIRMAN. To a considerable extent?

Mr. FINN. Yes; their exports now are about 50,000 tons annually.

Mr. NORTHRUP. That is today, and next year's estimate is that the export of the United Kingdom of nitrogen will be 76,000.

The CHAIRMAN. Does that go into this European pool?

Mr. FINN. It is divided; a portion of it goes into the European pool, and a portion of it goes to other areas, mostly within the British Empire.

The CHAIRMAN. Are we set up here to produce nitrogen as a byproduct in steel production in any substantial amount?

Mr. FINN. Yes; it is quite substantial—more than 25 percent of our nitrogen fertilizer production. But the bulk of our increased supply has come from synthetic manufacture rather than byproduct.

The CHAIRMAN. With reference to the import figures of nitrogen: That supply comes from where?

Mr. FINN. Almost exclusively from two sources, Chile and Canada.

METHOD OF PRODUCING SYNTHETIC AMMONIA

The CHAIRMAN. I think you might tell us how they produce the synthetic supply.

Mr. FINN. I shall do my best to give a simple description. I may have to do a great deal of editing on the statement, because I am not a technical man.

Synthetic ammonia is made by combining atmospheric nitrogen and hydrogen under pressure and in the presence of a catalyst. It is made up of three parts of hydrogen and one part of nitrogen. The chemical formula is NH_3.

There are two sources of raw material for the hydrogen:

One is natural gas, which comes out of the natural gas fields of the Southwest; and the other is manufactured gas (water gas) obtained from coke. The principal establishments of this country utilize one or the other of these sources of hydrogen.

I will describe the basic process which utilizes coke. First they make the coke from coal. By that conversion there is a small amount of byproduct ammonia given off. That is saved. But that is a small portion, perhaps only 5 pounds per ton of coal or thereabouts.

The coke is then utilized as a base for producing water gas. This is made by passing steam through a bed of the heated coke. The steam, like water, is composed of hydrogen and oxygen (H_2O). Reaction between the incandescent coke and the steam is such as to give a mixture of hydrogen and carbon monoxide. The carbon monoxide then is removed from this mixture, leaving the hydrogen. This is synthesized with nitrogen from the air to make ammonia.

My understanding is that the operations dealing with hydrogen are much the most difficult and by far the most expensive of the whole synthetic process.

Nitrogen is free in the air, making up some four-fifths of its volume.

The crux of entire operation is to get the two elements, nitrogen and hydrogen, in pure form and then synthesize them into ammonia.

The CHAIRMAN. Is that the process the Army uses?

Mr. FINN. Yes; they use it in two of their plants.

The CHAIRMAN. They are using gas as well?

Mr. FINN. They use natural gas at the Cactus plant in Texas. The determining factor as to which material is used is where the plant is located and which can be secured to the greatest advantage.

When the nitrogen and hydrogen are put together in about the right proportions they are subjected to extremely heavy pressure in the presence of a catalyst. In this way the synthetic compound is made—the synthetic ammonia.

The CHAIRMAN. The natural gas and the coal that goes into the production of fertilizer is quite a substantial item; or is it comparatively small?

Mr. FINN. The coal and gas consumption for this purpose is a very small part of the total consumption of these items. For example, in the case of coal it requires around 5 tons in the form of coke to produce a ton of pure nitrogen.

The CHAIRMAN. So that in the case of nitrogen there might be involved 2 or 3 million tons of coal?

Mr. FINN. Yes, on an annual basis.

The CHAIRMAN. In this country.

Mr. FINN. With a total yearly production for the country of some 600,000,000 tons of bituminous coal.

The CHAIRMAN. Is most of it natural gas, or most of it coal?

Mr. FINN. Probably more is on coke, but the natural gas operation is quite large.

The CHAIRMAN. Where is the Army's operation?

Mr. FINN. The Army's operation on gas is at Cactus, Ettar Tex.; the coke plants are at Morgantown, W. Va.; and West Henderson, Ky.

Mr. STEFAN. Are they getting back into production at Cactus?

Mr. FINN. I understand they are not producing now, but expect to soon.

Mr. STEFAN. How soon will that be?

Mr. FINN. I cannot tell you definitely, but the original estimate was about 6 weeks or 2 months from the time of the fire. That period is roughly up, so I would say they ought to be starting the operation any time now.

Mr. STEFAN. That is principally in the plant in Texas?

Mr. FINN. Yes.

PRODUCTION IN JAPAN AND KOREA

Mr. STEFAN. I understand that of the 400,000 tons that in normal times is produced in Japan and Korea that they are now producing 200,000 and we supply the other 200,000?

Mr. FINN. That is roughly right, they are not quite to prewar.

Mr. STEFAN. But the production is approximately 200,000 tons?

Mr. FINN. Yes.

INCREASE IN CONTINENTAL PRODUCTION OF FERTILIZER

The CHAIRMAN. Is there any step-up in the continental production of fertilizer?

Mr. FINN. Yes.

The CHAIRMAN. Where is that?

Mr. FINN. I think that is shown on your big table, Mr. Chairman.

The CHAIRMAN. It might be, in detail.

Mr. FINN. Belgium—I would have to look to be sure of the particular countries. Before the war Belgium produced 60,000 tons of nitrogen and now they are producing 155,000 tons.

Mr. STEFAN. That is the estimate for 1948?

Mr. FINN. 1948–49, yes. France shows an increase of production. She is now producing up to prewar and next year expects to go about 50 percent above her prewar production.

Mr. STEFAN. From 150,000 to 220,000.

Mr. FINN. Yes, for France. Netherlands before the war produced 88,000 tons; she has not quite hit prewar.

The CHAIRMAN. What about Italy.

Mr. FINN. Italy is up.

The CHAIRMAN. A little bit.

Mr. FINN. There is quite a little increase recently.

The CHAIRMAN. It is better than prewar?

Mr. FINN. Yes.

The CHAIRMAN. The Netherlands is set up to be 50 percent above prewar?

Mr. FINN. The United Kingdom, compared with prewar, shows quite a large increase.

The CHAIRMAN. Norway is just about even?

Mr. FINN. About prewar.

The CHAIRMAN. The Swedish production you would think would go up, but it does not seem to be.

Mr. FINN. I do not believe their facilities are extensive, Mr. Chairman.

The CHAIRMAN. Their imports are.

Mr. FINN. Their imports are rather large.

The CHAIRMAN. They have gone up as compared with prewar very decidedly.

Mr. FINN. Their total requirements are much higher.

The CHAIRMAN. And that is not reflected in their estimate for crop production. That looks like the picture is not as sweet as it ought to be.

CROP PRODUCTION PHASE OF FERTILIZER PROBLEM

Mr. FINN. If the committee would like I will be glad to go into the crop production phase of this problem a little bit.

The countries in the ECA program have perhaps placed a higher priority on the securing of nitrogen fertilizers than for most any other item shown in the table. As indicated by the figures, the countries have themselves increased nitrogen production. They have goals to go a great deal higher in this production. Meanwhile they have asked for larger imports of nitrogen than we ourselves can grant.

The peculiar reason why they are not able to show as much increase of crop production as they have of nitrogen is due, in large part, to their livestock situation. They have had, in the past, much heavier livestock population than they have now. Their feed import was substantially higher than it is now. This feed was converted into livestock manure and utilized very fully in crop production. While their total nitrogen demand, in the chemical form, has gone up, the total nitrogen in all forms (including manures) is not yet up to the prewar level. So that their estimates of yields are not as high as we would like to see them nor as high as would appear logical from an analysis of the chemical nitrogen figures alone. But the gain in chemical nitrogen is offset by a loss of the nitrogen in manure. The quantity of manure is less due to a lack of livestock and lack of feed stuffs. There is a lower quality of the manure due to poorer feeding stuffs. They have in the past imported a great deal of nitrogenous meals, oil seed meal of various kinds, and in consequence of the use of manures resulting from them they were able to add to the fertility of the soil.

They are anxious to build up substitutes for their prewar utilization of nitrogenous materials. They have increased their production and

use of chemical nitrogen to a level substantially higher than before the war. Yet the yield of their crops is not in the amount they had before the war for the reasons pointed out.

The CHAIRMAN. Sweden seems to be in the worst picture of the lot.

Mr. FINN. I do not think they are much unlike the general situation that I have described. They also depended on having imports of feed. At the moment they have not been able to obtain such sources of organic materials.

The CHAIRMAN. Their grain production is not reflected.

Mr. FINN. That is correct.

The CHAIRMAN. It does not seem as if their grain ought to be down.

Mr. NORTHRUP. It is shown for the next year; the estimate shows a substantial increase.

And her imports of meals, prewar, show 273,000 tons; next year, for example, there is shown 125,000 tons of imports.

The CHAIRMAN. Yes.

Mr. NORTHRUP. There is another point that should be made, and that is during the war there has been a decrease in the fertility of their soil, depletion of the mineral content.

Mr. FINN. They have not been able to restore their soil as yet.

PRODUCTION OF FERTILIZER IN GERMANY

The CHAIRMAN. On the table I find that the German production is estimated at 430,000 tons, which is practically the prewar production, indicating a very substantial step-up, and that she is supposed to import 68,000 tons and eventually to export 85,000 tons.

Mr. FINN. I think there is an error in the 1948–49 figure for Germany, Mr. Chairman, as shown on the table.

The CHAIRMAN. What is the correct figure?

Mr. FINN. The figure I believe should be 360,000 instead of 430,000 for 1948–49.

Mr. STEFAN. That is the domestic production?

Mr. FINN. Yes.

Mr. STEFAN. What is the correct figure?

Mr. FINN. 360,000.

Mr. STEFAN. Instead of 430?

GERMAN IMPORTS OF FERTILIZER

Mr. FINN. Yes. And, the imports would be 81,000 instead of 68,000.

The CHAIRMAN. Where do the imports come from?

Mr. FINN. The imports in 1947, came from the United States—Army production.

The CHAIRMAN. You mean that the 47,000 all goes to Germany?

Mr. FINN. All goes to Germany; 13,000 comes from the United Kingdom; 20,000 tons comes from Austria, where it is processed in return for coal that is being supplied Austria; and I think there is a nominal figure of 1,000 from Chile. That adds up to the 81,000.

The CHAIRMAN. On that basis that means the exports are 28,000, does it not?

Mr. FINN. The available supply to be utilized in the three areas is 364,000 tons.

The CHAIRMAN. You give us here an available supply of 413,000.

Mr. FINN. That figure is wrong also.

The CHAIRMAN. What is the correct figure?

Mr. FINN. The correct figure is 364,000, available supply.

The CHAIRMAN. And 77,000 exports?

Mr. FINN. Yes.

Mr. WATKINS. That export from the French zone of 71,000 tons is to the participating countries; also 4,000 tons to French territory, and 2,000 exported from the Saar section to the western portion of the participating countries.

The CHAIRMAN. Is most of the production in the Saar or is it somewhere else?

Mr. FINN. Of the 360,000, 230,000 is in the bizone area and 120,000 is in the French zone and the Saar.

PROSPECT OF INCREASING PRODUCTION OF FERTILIZER IN EUROPE

The CHAIRMAN. Is there any prospect of their increasing their production of fertilizer in the European picture so that they might be self-sustaining?

Mr. FINN. Self-sustaining by next year?

The CHAIRMAN. Yes.

Mr. FINN. No; they will not be self-sustaining next year. The deficit will be reduced some next year, largely because of increased production, but they will still have a deficit. They will not be able to meet their requirements from their own production until about 1951.

The CHAIRMAN. We will still have to supply something next year?

Mr. FINN. Some; probably around 23,000 of commercial supply and the Army production of 47,000 tons, the same as this year.

The CHAIRMAN. You are still anticipating 70,000 tons for each year?

Mr. FINN. For next year.

The CHAIRMAN. For next year?

Mr. FINN. Yes.

The CHAIRMAN. The year after that the figures will drop?

Mr. FINN. I believe they will. And the year following perhaps we would not have to export from the United States anything at all, except the Army material.

Mr. WATKINS. In 1949–50?

Mr. FINN. Yes.

Mr. WATKINS. Yes.

Mr. NORTHRUP. The European plan, worked out at Paris last year, estimated a rate of increase of production, under which there would be a small net export by 1951. We are hoping, of course, they can achieve it.

The CHAIRMAN. The biggest increase in the European production is in the Saar?

Mr. FINN. No.

The CHAIRMAN. Where is it; bizone?

Mr. FINN. The biggest increase estimated for next year over the current year, is in Italy and France, mainly.

Mr. WATKINS. Italy and France for 1948–49.

Mr. FINN. There is a small increase in a number of other countries, but the substantial increase will be in those two areas.

Mr. WATKINS. Some in the French zone and also in the bizone.

Mr. FINN. Germany is to continue to increase her production so as to better supply her own requirements.

The CHAIRMAN. The figures here indicate an estimated increase in France of approximately 70,000 tons.

Mr. FINN. Almost 50 percent, yes.

The CHAIRMAN. And in Italy 65,000.

Mr. FINN. Yes.

The CHAIRMAN. Whereas the figures indicate for the bizone and the Saar, 186,000 over-all which is a great deal more than the increase of production in Italy and France combined.

Mr. FINN. The combined total of the increase for Germany as a whole is a large increase. Those three principal areas will contribute the increase. But there are small increases in the other countries, reflecting the efforts they are making to expand.

COST OF FERTILIZER IMPORTS

The CHAIRMAN. Now, what is the price that is paid for imports per ton?

Mr. FINN. You mean the commercial going price of that which we import?

The CHAIRMAN. Yes.

Mr. NORTHRUP. The dollar figure is on your table.

The CHAIRMAN. That is the total over-all figure; that is not the import figure.

Mr. NORTHRUP. $200 per ton.

The CHAIRMAN. That is the figure that is given for the over-all average cost of the whole quantity.

Mr. FINN. The cost of imports entering the United States now probably would be nearer $2.50 a unit or $250 for a ton of nitrogen.

The CHAIRMAN. And is the Army cost and the cost we have to pay the domestic producers approximately the same, or is it different?

Mr. FINN. The cost of the domestic material varies as to the kind of material. The cost of byproduct material is a great deal less than the cost of synthetic material. The byproduct material is chiefly made up in the form of ammonium sulphate. The going price of that material would be about $40 a ton, which is at about $2 per unit. When synthetic ammonium sulphate is used, the cost of the material is $65 to $70 a ton, which would be $3 or a little better for a unit of nitrogen in that form of material. For ammonium nitrate, which is a synthetic material and also the form which the Army produces, the going price at the plant is from $50 to $55 a ton. This runs 32.5 percent so that you would have a cost in round numbers, of $.175 a unit of nitrogen.

So that you have ranges of cost of the domestic material all the way from $175 up to $300 per ton of nitrogen, depending on the particular material. Imported material falls in between that range of costs.

The CHAIRMAN. The mined material does not bring as much money as the other?

Mr. FINN. Yes; it does. That is altogether from Chile.

The CHAIRMAN. The price is competitive, I suppose?

Mr. FINN. Yes; competitive.

The CHAIRMAN. And when our production is largely synthetic, we pay the Chilean price?

Mr. FINN. It gravitates up in the direction of the higher cost.

The CHAIRMAN. Regardless of the cost of production?

Mr. FINN. I would say that is correct; yes, sir.

The CHAIRMAN. It is a governmental monopoly in Chile or a private operation?

Mr. FINN. I am not sure of the exact classification. The Chilean Government is heavily interested.

The CHAIRMAN. If you have a way of finding out, I wish you would tell us.

Mr. FINN. We will be glad to give you all the information we have.

The CHAIRMAN. And tell us, if it is a private operation, who it is.

Mr. FINN. I believe it is classed as a private operation. But the Government exacts a tax upon exportation so it has an active interest in the amount produced for export.

The operations in Canada are today, all of them, strictly private, we understand. The industry was principally developed by the Government, but the plants have since passed to private hands.

Mr. STEFAN. What countries are in the monopoly area now?

The CHAIRMAN. Chile is the biggest part of it.

Mr. FINN. That is as far as our importations are concerned. Information concerning the classification of the Chilean situation, I believe, Mr. Chairman, could be obtained from the Chilean Nitrate Sales Corp., offices in New York City.

Mr. NITZE. I believe the capital involved is largely American. It is the Guggenheim interests.

INCREASE ABOVE PREWAR FERTILIZER SUPPLIES IN EUROPE

Mr. WIGGLESWORTH. I realize the financing of these commodities we are talking about now by ECA is relatively not large, but I am impressed by the extent to which country after country seems to be building up in terms of these fertilizers 2, 3, 4, and 5 times their prewar supply.

Mr. FINN. It is very impressive.

Mr. WIGGLESWORTH. What is the reason for any such increases?

Mr. FINN. There are a lot more people to feed than there were before.

Mr. WIGGLESWORTH. But there are not 4 times as many people.

Mr. FINN. That is true. I think before you came in, we dwelled somewhat upon the soil fertility situation in the European countries. Before the war, they got a great deal of their nitrogen fertilizer, particularly, from animal manures. That had a connection with their imports of feedstuffs. Now their livestock population is off, and their imports of feedstuffs are away down; so that their opportunity to use, as they did before the war, nitrogen fertilizer from that source is greatly reduced. The total amount of nitrogen they are using, considering manure and the chemical fertilizers combined, is not greater than before the war. The chemicals have increased in an effort to offset the other deficit.

Mr. WIGGLESWORTH. But some of those must be away above prewar, even making allowance for what you said.

Mr. FINN. Some of the individual countries would be; yes.

QUESTION AS TO NEED FOR FERTILIZERS BY PARTICIPATING COUNTRIES

Mr. WIGGLESWORTH. Have you been over the alleged needs in terms of nitrogen, phosphate, and potash?

Mr. FINN. Yes; we have. We have no question as to their desirability. As a matter of fact, we think one of the most constructive and economical things this country could do in the interest of its taxpayers would be to help them with this fertilizer.

Mr. WIGGLESWORTH. You do not need to argue that point with me one minute. I agree. But it is a question I think this committee has to deal with. The question always, as in every question in life, is where you are going to draw the line.

Mr. FINN. Yes.

Mr. WIGGLESWORTH. Have you or have you not been over the alleged needs of these countries from your standpoint?

Mr. FINN. We have been over the alleged needs of these countries.

Mr. STEFAN. You might add that land-depletion statement along with the lack of animal manures, and so forth.

Mr. FINN. If you figure the dollar cost of fertilizer and compare that with the dollar cost of foodstuffs we are sending to some of those countries, the economy of helping them with fertilizer is overwhelming. Thus, it would seem that the efforts we can make to aid with fertilizers would be dollar savings to our taxpayers. A dollar spent on fertilizer will yield about five times as much feeding value as the same dollar spent for the purchase of food for shipping to them.

BASES FOR FERTILIZER REQUIREMENTS FOR GREECE

Mr. WIGGLESWORTH. Just take a little country like Greece here: they had 7,000 metric tons of nitrogen prewar.

Mr. FINN. That is correct.

Mr. WIGGLESWORTH. Sixteen thousand tons of phosphates and 3,500 of potash.

Mr. FINN. Yes.

Mr. WIGGLESWORTH. And this program in 1948–49 calls for 25,000 tons of nitrogen fertilizer or 3½ times the prewar supply.

Mr. FINN. Yes.

Mr. WIGGLESWORTH. It calls for 35,000 tons of phosphates or 2.25 times the prewar supply, and it calls for 15,000 tons of potash or almost 5 times the prewar supply.

Mr. FINN. Yes.

Mr. WIGGLESWORTH. Have you been into the Grecian needs so that you can say to this committee that, in your opinion, 25,000, 35,000, and 15,000 tons are, in fact, needed for the requirements of Greece?

Mr. FINN. We are completely satisfied that is so.

Mr. WIGGLESWORTH. On what do you base that?

Mr. FINN. We base it on the information relative to their crop production efforts, the condition of their soils and conditions in the country that require heavy shipments of foodstuffs to them.

Mr. WIGGLESWORTH. How do you determine whether they need 25,000 tons or 50,000 tons of nitrogen fertilizer?

Mr. FINN. Obviously, it has to be a matter of judgment.

Mr. WIGGLESWORTH. That is what I am asking you—whether you have been into the facts and have exercised that judgment.

Mr. FINN. I have not personally been to Greece and made those surveys.

Mr. WIGGLESWORTH. How did you determine that figure?

Taking that as an example, is there anybody in this room who can say what has been done?

Mr. FINN. No; I cannot say in all detail.

Mr. WIGGLESWORTH. Is there anybody here today who has, in fact, been into that particular figure and satisfied himself it is necessary and, if so, why?

Mr. FINN. Governor Griswold's staff has. I know personally a number of people on that staff in Greece and regard them as extremely competent people in this field. They have made various studies which have been suggested to them, and they say this quantity of nitrogen is regarded as the minimum quantity which they need in that country next year.

Mr. WIGGLESWORTH. And you accept that statement?

Mr. FINN. We do.

Mr. WIGGLESWORTH. You have made no independent check?

Mr. FINN. We have no opportunity to go there.

Mr. WIGGLESWORTH. So that these figures, so far as Greece is concerned, are Governor Griswold's staff figures?

Mr. FINN. That is right.

Mr. WIGGLESWORTH. Does that go for the other countries, also? Take France: whose figures are those?

Mr. FINN. Those are figures that were developed by the staffs that worked in Paris throughout last summer.

Mr. WIGGLESWORTH. The agricultural attaché at the embassy or something like that—did he review the figures?

Mr. FINN. He reviewed the figures and assured us that those are valid.

Mr. WIGGLESWORTH. How were they determined?

Mr. FINN. The French people themselves determined them originally.

Mr. WIGGLESWORTH. Oh, yes; but we have been told they were screened abroad by our people.

Mr. FINN. That is right.

Mr. WIGGLESWORTH. And screened again here by our people.

Mr. FINN. That is right.

Mr. WIGGLESWORTH. And now you tell us the agricultural attaché at the Paris embassy looked over the French figures and said he thought they were all right.

Mr. NORTHRUP. I think you are interested in the mechanics of how it was done. The figures here were developed by the governmental committee of which Mr. Finn is chairman.

Mr. WIGGLESWORTH. Well, Mr. Finn says he took Governor Griswold's figures.

Mr. NORTHRUP. May I add one other point of information, that in determining the figures to put in that column for that country in that space, they took into account and had available all of the various types of information Mr. Finn has been describing.

Mr. WIGGLESWORTH. I want to know who they are. Mr. Finn tells me they are the figures that Governor Griswold's staff of experts

has supplied as far as Greece is concerned and were not supplied by the staff here in America.

Mr. FINN. I do not mean to suggest we have accepted them without any inquiry or re-examination, comparing them with other sources. I do say very strongly that our reliance upon the reasonableness of these figures was based to a large degree, upon the reports of Americans who are assigned to report conditions in those countries. All the reports about Greece indicate that the conditions in that country are pretty chaotic. Apparently they need relief and need it very badly.

Mr. WIGGLESWORTH. You yourself, as an expert, did not determine these figures that you had received from sources abroad, but you read them over and if they looked reasonable, you said "O. K."?

Mr. FINN. Yes.

Mr. WIGGLESWORTH. That is about the situation?

Mr. FINN. Within limitations; yes, sir. We have looked at the figures of stated requirements in relation to the acreages in crops they report and the yields of the crops, in relation to their livestock population and the feedstuff they use. We have also considered other sources from which they could get plant food. We have tested the proposed figures in the light of those considerations.

(The following was submitted later:)

In the case of Greece, specifically, we noted that the rate of fertilizer application before the war was practically the lowest of any ERP country. Nitrogen was applied at the rate of only 2½ pounds per acre of arable land, compared with more than 13 pounds per acre for the average of all ERP countries, and 30 pounds per acre or more in the case of each, Netherlands, Belgium, and Germany. Crop yields per acre directly reflected these differences. In Greece, broad-grain yields averaged only about 9 bushels per acre; for all ERP countries the average was about 15 bushels; in each, Netherlands, Belgium, and Germany, yields ranged from 20 to 25 bushels per acre.

In 1946 a mission of agricultural experts from the United States went to Greece, at the request of FAO, to ascertain how the agriculture of that country could best be rehabilitated and improved. These experts included Dr. Franklin Harris, president, Utah Agricultural College; R. E. Buchanan, director, Iowa Experimental Station; Panos D. Caldis, director, Western Agricultural Research for California Packing Co.; and W. L. Newmeyer, chief, Resources and Development Branch, Bureau of Reclamation. One of the principal recommendations of this group was increased use of fertilizer.

The 25,000 tons of nitrogen listed as a requirement for Greece next year would give them a per-acre supply less than the average ERP utilized before the war. The goal of 50,000 tons, which is sought to be achieved by 1950–51, would give Greece only about one-fourth as much nitrogen per acre as was used by the Netherlands in the best prewar years.

Mr. FINN. I think, without exception, that in this group of countries, taking them one by one, the yields per acre that they are now obtaining are very greatly below their prewar yields.

Mr. WIGGLESWORTH. I do not doubt that.

Mr. FINN. One of the reasons, they say—and all of the reports confirm this—is their lack of fertility in the soil, their being shut off from access to supplies during the war. They emphasize the depletion of the soils throughout that long period. They have not been able to get new sources of plant food in adequate amounts to build the soils up.

It is true that this amount for Greece, in comparison to prewar, 7,000 tons as compared to 25,000 shows a large increase. Countries throughout the world have been showing such increases. The United States has gone up from 337,000 to more than 900,000 metric tons—a

threefold increase. We are consuming enormously greater quantities of nitrogen than we did before the war, and, as you know, we do not have enough. I am completely satisfied when our farmers say they need fertilizer in amounts greater than they are getting for their crop production.

Mr. WIGGLESWORTH. I am for fertilizer; I am for enough fertilizer, provided this Government can spare it, but I want to be sure, and I want to ascertain, if it is humanly possible to ascertain, that we are not being asked to put up more than is justified. That, after all, is the underlying problem of this committee. That is why I wanted to know what responsibility you assumed here for any of these figures.

Mr. FINN. We assume full responsibility for stating we are satisfied that these requirements are valid. We believe the amounts are required for them to carry on reasonable crop-production programs.

Mr. WIGGLESWORTH. But you have already stated the figures are prepared abroad and all you do is, in a general way, to look them over and see if there is something out of line.

Mr. FINN. That is right. Let us look at the requirements of Greece from another standpoint. I believe we should keep in mind that the figures we are talking about are stated requirements only. They are not amounts that the United States will undertake to supply next year. A substantial deficiency will exist between the stated requirements and recommended supplies. Of the 25,000 tons of nitrogen, it is proposed that 2,000 tons would come from the United States.

Mr. WIGGLESWORTH. Well, it has "12" down here to be financed by ECA.

Mr. FINN. I want to give you the break-down of that. Four thousand of it would come from Canada, and 5,000 would come from Chile.

Mr. WIGGLESWORTH. And 12 if it will be financed with American dollars.

Mr. FINN. I believe that is correct. The remaining 14,000 would come from other participating countries. The portion financed by ECA funds is about half of the total, as indicated here. I think one must keep in mind the means of getting the Greek economy better stabilized than it is today. Dollars that we put into fertilizer are going to return much more than the same number of dollars put directly into food. The ratio is from about 5 to 1 up to about 8 to 1, depending on what food you are buying for shipment.

Mr. WIGGLESWORTH. That may be true up to a point, and the thing I am trying to find out is the point, and these generalities do not help us very much. What we want here, so far as we can get it, are the specific facts.

For instance, you told us yesterday we had a deficiency in potash of about 10 percent, phosphates between 5 and 10 percent, and nitrogen around 20 percent.

Mr. FINN. Yes, sir.

Mr. WIGGLESWORTH. That certainly is a material factor to be taken into consideration.

Mr. FINN. That is right.

Mr. WIGGLESWORTH. In determining what the programs in terms of those three commodities shall be under ECA.

Mr. FINN. That is right.

Mr. WIGGLESWORTH. Now let me ask you in that connection: You have given us a revised table this morning in terms of availability. I was not here when it was presented, but I notice in the first line, under nitrogen, 1948–49, you show estimated exports to all countries of 55,000 tons.

Mr. FINN. That is right, 55,000 metric tons of commercially produced nitrogen from the United States.

Mr. WIGGLESWORTH. And an estimate of 23,000 tons for export to ERP countries.

Mr. FINN. That is right.

Mr. WIGGLESWORTH. Does that mean the 23 is included in the 55?

Mr. FINN. Yes.

Mr. WIGGLESWORTH. Then how does that figure of 55,000 metric tons compare with the figure you gave us yesterday in this previous table?

Mr. FINN. This 23,000 is the only specific figure discussed yesterday that appeared on your table.

Mr. WIGGLESWORTH. On the table yesterday, under nitrogen fertilizer, imports of food and agricultural items by supplying countries for participating countries, there appears to be 70,000 metric tons of nitrogen fertilizer from the United States.

Mr. FINN. That is made up of the 23,000 tons from commercial sources and 47,000 tons from Army production. The two figures added together make the 70,000 tons.

Mr. WIGGLESWORTH. Then, to get the whole picture, you expect a total supply of 1,050,000 tons.

Mr. FINN. For the United States, if you add the Army production to the commercial production and estimated imports.

Mr. WIGGLESWORTH. Out of which you expect exports to all countries of about 300?

Mr. FINN. Yes, sir. Again adding Army shipments to commercial exports.

Mr. WIGGLESWORTH. Seventy will go to participating countries?

Mr. FINN. Yes, sir.

Mr. WIGGLESWORTH. You anticipate that the total Army production will be exported; is that right?

Mr. FINN. Yes; 100 percent.

Mr. WIGGLESWORTH. And 47 of that is going to participating countries?

Mr. FINN. Yes; Germany.

Mr. WIGGLESWORTH. Where will the rest go?

Mr. FINN. To Japan and Korea.

Mr. WIGGLESWORTH. Entirely?

Mr. FINN. Yes; the whole balance. The Army states that it is operating those plants for the sole purpose of producing materials for the occupied countries.

Mr. WIGGLESWORTH. Why should it be limited to those countries?

Mr. FINN. You will have to ask the Army as to that.

Mr. WIGGLESWORTH. Are they manufacturing all they can produce now?

Mr. FINN. Yes.

Mr. WIGGLESWORTH. Are they making any demads outside of what they produce?

Mr. FINN. No, sir; they are taking care of the occupied-area requirements entirely by their own production here; the production of ordnance plants in England and the production of the occupied countries themselves.

Mr. WIGGLESWORTH. Well, this revised table brings us back to the same conclusion we arrived at in respect to the preliminary table, does it not, that the contemplated program will exhaust every pound of production in respect to nitrogen, phosphate, and potash?

Mr. FINN. That is a conclusion I have not felt to be warranted.

Mr. WIGGLESWORTH. Well, that is what the table indicates. Perhaps there is something that is not included in the table, but to my mind, anyway, that follows from the figures you have given us.

Mr. FINN. We spent a great deal of time yesterday discussing the lack of available information about stocks. Stocks of fertilizers have never been reported. We know of no source from which such information can be obtained. But the lack of the information does not reflect a lack of stocks. We just do not know what the stocks are, so no figure is put down.

We said about the preliminary table yesterday and we say about the revised table today that the beginning and ending stocks for fertilizer are only such limited quantities as are required for pipe line. There are stocks at the beginning of each of those years, and there are stocks at the end of each year, but we have not shown any figure because we do not have any source from which such a figure can be obtained. The industry will not be without stocks at the end of the year any more that it was without stocks at the beginning of the year. For purposes of this table, it is assumed that the beginning and ending stocks were about the same. The nominal pipe-line level would allow all the production developed during the year, plus the imports to be consumed and exported during the year. That is all we can show. We cannot show information that does not exist.

Mr. WIGGLESWORTH. But leaving the percentage of deficits in each case which we have already referred to in terms of domestic needs?

Mr. FINN. Yes, sir. The production and imports during the year are not sufficient to meet the full requirements of the country.

Mr. WIGGLESWORTH. Has this table been put in the record as yet; do you know?

Mr. FINN. Yes; it has been.

TOTAL AVAILABILITY OF FERTILIZER FOR FISCAL YEAR 1949

Mr. STEFAN. If you take this table No. 3 and compare item A, commercial supply for 1948–49, with the first figure of 640,000 metric tons, that is our estimated domestic production of fertilizer; is not that right.

Mr. FINN. That is right; 640,000 tons of nitrogen in the form of fertilizer.

Mr. STEFAN. And we predict we will import 170,000 tons?

Mr. FINN. Yes, sir.

Mr. STEFAN. Making a total of 810,000 tons which we will have or expect to have in the fiscal year 1948–49?

Mr. FINN. That is right; metric tons of fertilizer nitrogen.

Mr. STEFAN. To that we must add 244,000 which we expect the Army to produce in 1948–49, making a total of 1,054,000 tons?

Mr. FINN. That is correct.

Mr. STEFAN. One million and fifty-four thousand metric tons of fertilizer?

Mr. FINN. That is right—on a basis of nitrogen content.

Mr. STEFAN. Of that amount, we expect to buy from the commercial supply 23,000 tons for participating countries; is that right?

Mr. FINN. That is right; that much would be made available.

Mr. STEFAN. And to that we are going to add 47,000 tons which the Army will produce, making a total of 70,000 tons which will be available for participating countries?

Mr. FINN. Exactly right.

Mr. STEFAN. And what is left of Army production goes into western Germany?

Mr. FINN. No; it goes into Korea and Japan.

Mr. STEFAN. The total amount of it?

Mr. FINN. The total balance of it.

QUESTION AS TO SUFFICIENCY OF SUPPLY OF FERTILIZERS FOR FARMER REQUIREMENTS

Mr. STEFAN. Going back to the total imports, total commercial production, and total Army production of 1,054,000 tons of fertilizer in 1948–49, of that total, how much is going to remain in the United States for use of the American farmer?

Mr. FINN. Seven hundred and fifty-five thousand metric tons, nitrogen basis.

Mr. STEFAN. Will that be sufficient for his requirements?

Mr. FINN. No, sir.

Mr. STEFAN. How much of a deficiency will there be?

Mr. FINN. About 20 percent in the case of nitrogen.

Mr. STEFAN. So that the farmer of the United States is going to be 20-percent short of the amount of fertilizer he needs?

Mr. FINN. Yes; for nitrogen.

Mr. STEFAN. How is he going to supplement that production we are asking him to ship to the participating countries?

Mr. FINN. There is no source in prospect from which to get more than the estimated total of 755,000 tons.

Mr. STEFAN. Of course, you indicate there is no immediate possibility of stepping up production in the Army plants, but what is the report from the fertilizer trust; what do they say?

Mr. FINN. You mean the commercial fertilizer industry?

Mr. STEFAN. Yes; the commercial fertilizer industry. Can they step up their production?

Mr. FINN. The estimated increase is from 626,000 tons for the current year up to 640,000 tons for next year. That is what it is estimated the commercial plants will increase.

WISDOM OF EXPORTING FERTILIZER UNDER PROGRAM

Mr. STEFAN. Now, is there any possibility of cutting these foreign shipments down so that we can give our own farmers not what they want but what they absolutely need? Has that been explored?

Mr. FINN. It has been explored.

Mr. STEFAN. You think these are the minimum requirements, then?

Mr. FINN. We feel it is wise for the United States, notwithstanding we have a shortage, to continue to make some exports. We think these are minimum. At the same time we do not think it would be feasible to try to do more.

EXTENT OF DEFICIENCY OF FERTILIZER FOR DOMESTIC USE

Mr. STEFAN. You know, I agree with you that a dollar spent in fertilizer over there may cut off five times that dollar to the American taxpayer in the way of shipments of food; but here we have country after country where we are providing more fertilizer than they had in the prewar days, and it is going to be pretty hard to explain to the American farmer that we are going to take 20 percent of the fertilizer away from him, and he is going to have 20 percent less.

Mr. FINN. No; he is going to have more than he ever had before—well over double prewar.

Mr. STEFAN. Well, you said he is going to have a 20 percent deficiency in here.

Mr. FINN. He is going to have a deficiency relative to need, but he will have more than he had during 1947. We had a deficiency this year; there was a deficiency last year and every year during the war. But there was a constantly expanding supply, there just was not enough nitrogen to supply the more rapidly growing needs.

The nitrogen shortage is quite a world-wide situation, and the condition is not peculiar to the United States. We have been able to effect some increase in our supplies, but not as much as needed to wipe out the deficiency.

Mr. STEFAN. Was it even more than 20 percent last year?

Mr. FINN. It probably was.

Mr. STEFAN. But he is going to have 20 percent less supply next year?

Mr. FINN. The demand for fertilizer is a growing thing. Look at the prewar figure of domestic disappearance of 337,000 tons——

Mr. STEFAN. When you say "domestic disappearance," I want the record so that the people reading the record will understand what you are talking about. What is that?

Mr. FINN. That is the equivalent of consumption. Farmers of the country felt at that time that was all the consumption they could afford. Fertilizers were in ample supply in each of those years, and that was the total quantity bought and used.

In recent years there have been new demands for fertilizers that did not exist the year before. Some farmers have started to use fertilizer who had not previously been using it, and some found it profitable to increase the rate per acre of application. This demand for fertilizers did not suddenly and overnight get to be where it is. It grew by annual increases of probably around 10 percent a year. Therefore, you have to look at the deficiency in the light of this growing demand.

Mr. STEFAN. Nevertheless, we are going to have a 20-percent deficiency in 1949. What is the total supply of fertilizer we are going to

have available for the American farmer in 1948–49—seven hundred and how many thousand tons?

Mr. FINN. Seven hundred and fifty-five thousand metric tons nitrogen.

Mr. STEFAN. That is, compared with 740 in 1948?

Mr. FINN. That is right.

Mr. STEFAN. And 711 in 1946–47?

Mr. FINN. In the year before.

Mr. STEFAN. And prewar, 370?

Mr. FINN. That is right.

Mr. STEFAN. Then he does have a little more this year than he had the year before but still will have a 20-percent deficiency, in spite of that fact. And what explanation can we make that we are giving Belgium and those other countries a whole lot more than they had before?

Mr. FINN. We are not exporting into Belgium. Belgium herself is an exporter.

Mr. STEFAN. Are we paying for it?

Mr. FINN. No.

Mr. STEFAN. How many countries are you giving more fertilizer than they had prewar?

Mr. FINN. A good share of the countries in this list are getting more chemical fertilizers than they consumed prewar. You can compare them individually in your table. I think each would show more. But, the occupied areas are not up to the prewar consumption.

Mr. STEFAN. Give us the names of those countries we are giving more fertilizer than they had prewar.

Mr. FINN. I think all of those countries are showing a higher consumption than prewar. The United States is not shipping to all of them, but I think each country except for the occupied areas, shows higher than a prewar consumption.

POSSIBILITY OF INCREASING PRODUCTION AND IMPORTATION OF FERTILIZER

Mr. STEFAN. Has the Agriculture Department exhausted its research into the increase in the amount of fertilizer production and the import of fertilizer in order to give the American farmer the 20 percent additional fertilizer he can use? What are the potential increases in consumption?

Mr. FINN. We think we have exhausted the possibilities in obtaining increases for next year. The imports are not substantially different from what they were before the war. Commercial exports really are not substantially different from what they were before the war; there is a little increase, but all of the commercial exports are rather nominal figures. The special production which the Army is developing is all for occupied areas. In the prewar time, we exported about 11 percent of our total supply of fertilizer nitrogen. Now we propose to export about 7 percent of our total supply—a diminishing percentage. In the main, the increased production that we have, farmers of the United States have been able to utilize to their own advantage. We have not suffered in any substantial way losses of imports that we have been accustomed to get. By and large, then, our increased production is being retained for our own use.

With specific reference to the efforts made by the Department of Agriculture, they have been quite extensive. There is a full and complete report that has been filed with the Agriculture Committee entitled "Activities of the United States Department of Agriculture Relating to Disposal and Utilization of Government Synthetic Ammonia Plants for the Production of Fertilizers." This details the efforts made by the Department in connection with the disposal and utilization of these plants. The plants are not, all of them, producing all of the fertilizer which they might produce had they been built originally as fertilizer plants. But the substantial part of our increase is coming from these sources. Efforts of the Department of Agriculture resulted in more speedy declaration of surplus, award to operators and use of the plants to contribute to increased supplies of fertilizer.

We have performed extensive research work in helping perfect forms in which some of the new materials could be used as fertilizer. Ammonium nitrate is a relatively new fertilizer material, and there have been many problems with respect to how to process, package, and handle it. These were worked out by scientific people of the Department in cooperation with folks in industry.

Methods of utilizing nitrogen solutions, present consumption of which is very large, were worked out with the cooperation of the Department. The Department has contributed heavily to the work of perfecting means of applying nitrogen to the soil directly in the form of anhydrous ammonia.

All these methods of utilization have been necessary to make available to the American farmer the increased tonnage of nitrogen fertilizer. I feel the Department has an extraordinarily good record of what it has done to find out new sources of supply and adapt the materials to forms which the farmer can use.

POSSIBILITY OF EXPANDING PRODUCTION OF FERTILIZER BY ARMY

Mr. STEFAN. That is fine; but is there any chance of expanding the production in these former war plants in order that some of the fertilizer that is being made there can be of use to the farmers who live right next door to those plants? You know, when the farmer living right next door to those plants sees this fertilizer going out in boxcars and being shipped overseas and then he goes down and tries to buy some and he cannot it makes him feel pretty wild. And how can you blame him for getting sore when he lives right next door to that plant, and he is taxed to help build the plant and he is paying for the fertilizer himself that goes to the people over in Europe?

Mr. FINN. I suspect that a good deal of that comment is made about the processing by the Army, all of which is being shipped to the occupied areas.

Mr. STEFAN. It is kind of hard to tell them about that.

Mr. FINN. The Army maintains that the Congress appropriated the funds so that they could operate the plants at this level and utilize the materal for this specific purpose. Apparently, they are following what they regard as a mandate of the Congress. As you say, all of it is being exported.

Recently the Army was prevailed upon to loan the civilian economy 9,000 tons of ammonium nitrate material. In order to get this into

consumption channels, Commodity Credit Corporation received the material from the Army and sold it to commercial distributors.

At a later time the Commodity Credit Corporation is obligated to purchase from the ammonium nitrate producers a like quantity of material and return it to the Army. It proposes to do this about August, after the period when further side dressing or top dressing would not be effective this year. By this arrangement the supply at 1948 planting time was increased.

Mr. STEFAN. In that way, these war plants that go into the production of fertilizer would help the local economy, in a way?

Mr. FINN. They have.

Mr. STEFAN. And the Department of Agriculture is planning to continue that where they can, to supplement local needs?

Mr. FINN. That is correct.

QUESTION AS TO POSSIBILITY OF EXPORTING HORSES

Mr. STEFAN. Now, you have discussed at great length the depletion of land in Europe and the lack of livestock, which means lack of manure; also lack of feeds. All through these hearings it has been indicated that we are mechanizing over there and mechanizing fast. The request for this appropriation goes into detail in the matter of farm machinery over there. Now, we are mechanizing, too, to the extent where we have a surplus of horses. I was wondering if the Department of Agriculture in making these requests for farm machinery—I suppose the Department of Commerce is making the request on the recommendation of the Department of Agriculture—has given some thought to shipping some of the surplus horses that we have in the United States which would help in putting back some of the manure on that depleted land in Europe.

Our farms, especially in my part of the country, are becoming larger. The operators are farming a larger acreage. Where a man used to have a hired man or two on 220 acres, he is now farming it all alone, but with farm machinery. The horses are gone. Now, if we are going to mechanize the farms throughout the world, I think we ought to watch out for our own, too, and if the farmer who is farming acreage in Nebraska, such as I have in mind, is going to be asked to put his products into this pool to help his unfortunate neighbor in Europe, he ought to be given a little encouragement. Have you given any thought to the matter of sending some of those horses over there?

Mr. NORTHRUP. We realize fully in the Department of Agriculture that there are quite a number of horses in this country that could be exported and I am sure that the United States will export as many as the European nations can take and use. The manure, I am sure you realize, is obtained from the livestock animals, not the horses.

Mr. STEFAN. Surely; but we are being asked to ship trucks and tractors and all kinds of farm machinery over there when most of those farms over there average around 12 to 17 acres. We have carloads of horses in my district that they are trying to give away, which horses could be sent over there, but there is nobody to take them. It does not seem to make sense.

Mr. NORTHRUP. It is probably a question of who is to pay the freight.

Mr. STEFAN. I talked to Mr. Voorhees about them, asking him to take them, and have asked the Army so take them, but they are still there. The man who wants to give them away is the same man who gave his wheat check and his corn check for 2 years to help feed Europe. He wants to give these horses to Agriculture.

EXTENT OF DEFICIENCY IN FERTILIZER FOR DOMESTIC CONSUMPTION

Mr. STEFAN. What is the total deficiency? This 20 percent would represent how much fertilizer? How much would we have to produce to give the American farmer what he needs?

Mr. FINN. About 900,000 metric tons, as a minimum.

Mr. STEFAN. You mean it would make a total of 900,000 instead of 755,000?

Mr. FINN. Did you ask how much we would have to produce?

Mr. STEFAN. Yes; to be self-sufficient in fertilizer. You say we are 20-percent short.

Mr. NORTHRUP. 125,000 tons.

Mr. FINN. The total supply of nitrogen would have to be increased by 150,000 metric tons or more.

ADVISABILITY OF REDUCING FERTILIZER EXPORTS

Mr. STEFAN. Why could we not reduce the shipments to Europe by that much and give the American farmer the 150,000 tons that he wants?

Mr. FINN. We are only proposing to ship 23,000 tons of commercial nitrogen to Europe.

Mr. STEFAN. What do you mean, you are only proposing 23,000 tons?

Mr. NORTHRUP. The estimate here for Europe is only 23,000 tons. You could take it all away and still leave most of this estimated deficiency in demand.

Mr. FINN. That is correct.

Mr. STEFAN. It is more than that, is it not?

Mr. NORTHRUP. That is just to Europe.

Mr. STEFAN. You have 244,000 tons that the Army is making.

Mr. FINN. They are not making it for sale domestically. Only 47,000 tons of that is proposed for Europe.

EXTENT TO WHICH AGRICULTURE SHOULD BE ENCOURAGED TO INCREASE PRODUCTION

The CHAIRMAN. Your picture is about this: You are building up your agriculture to a point where you cannot sustain it and the question is to what extent we ought to encourage agriculture to go further in its production.

Mr. NORTHRUP. In this country?

The CHAIRMAN. Yes.

Mr. NORTHRUP. That is a good question.

The CHAIRMAN. You can get them out on a limb perhaps too far and then getting them off the limb is going to be a very difficult proposition in the long run. The only insurance you have against putting the fertilizer industry out on a limb is the Army production and the importations. Where you are going to be when you get through with the export of fertilizer and the export of agricultural

products, I do not know. But you should not get your industries, either agriculture or fertilizer, out on a limb too far.

Mr. FINN. The question is where to draw the balance between the quantity of fertilizer we insist upon keeping ourselves and what we share with other countries. We think the distribution proposed here gives as fair a degree of balance as perhaps can be worked out. We do not think it would be possible or practical to cut off exports altogether. We do not think it would be wise to undertake to increase them. So we propose here that exports be held about as now, assuming imports will be maintained at about the current level, and keep for ourselves what increase we can make in our own production.

RELIABILITY OF ESTIMATES OF FERTILIZER REQUIREMENTS AND EXPORTS UNDER PROGRAM

Mr. CANNON. Summing up the whole matter, can you say definitely at this time the exact amount of fertilizer that would be required and the exact amount that you will be able to supply these various countries in Europe which are included in the program?

Mr. FINN. We have figures that we think are reliable. The tables show the amount of their estimated production and proposed imports. Of the quantity that they will get from imports the tables show how much this country proposes to supply. It is proposed here that our commercial supply be shipped to the extent of 23,000 tons and that our Army production be shipped to the extent of 47,000 tons, so that this country would furnish a total of 70,000 tons of nitrogen.

Between Canada and Chile there would be furnished 106,000 tons. Adding these amounts to what the countries are expected to produce would give them a total which would still be short of their estimated requirements. Mr. Watkins, what would be the amount of that shortage?

Mr. WATKINS. For 1948–49 the shortage of nitrogen will be in the neighborhood of 140,000 metric tons in the participating countries, based on the requirements which they have submitted to us.

Mr. STEFAN. That is about the same shortage that we will have here in the United States?

Mr. FINN. Just about.

Mr. CANNON. Are those figures subject to modification? Are they adopted and fixed, and the basis on which they were computed stabilized to an extent that there is no chance that conditions would warrant any change in those figures?

Mr. FINN. No. They are subject to whatever modification the Congress would deem desirable. But it is our recommendation that they be adopted as presented. We feel that the considerations for modification have been thoroughly analyzed and that it would be wisest to go forward with the program as recommended. But undoubtedly the whole program is subject to such modifications as may be arranged.

Mr. CANNON. In view of the fact that our domestic production, supplemented by our imports is insufficient to supply local demands, any amount that we send abroad must be deducted from the domestic requirements?

Mr. FINN. That is right.

Mr. CANNON. On what basis then have you made an estimate as to what shall be spared when we have none to spare?

Mr. FINN. It is largely a matter of judgment. As I suggested a while ago, it seemed to us impractical to cut off exports altogether. We think it unwise to try to increase exports above the prevailing level. In view of the greater economy of giving aid in the form of fertilizer as contrasted with supplying the foodstuffs directly we feel that even though our own farmers have to be somewhat short of their full requirements, it is wiser to proceed on the basis of maintaining last year's shipments. If we tried to scale these down we could only save a small amount in any case, because the amount which has been going to Europe is not large, and it would be a fraction of the United States shortage only that could be met by so doing.

CONSIDERATION OF ALLOCATIONS OF FERTILIZER FOR DOMESTIC USE

Mr. CANNON. Now, since this program involves curtailment of the local supply below domestic demand, has any plan been considered of allocation or rationing or priority to the various sections of the agricultural areas of the country or by various agricultural commodities produced?

Mr. FINN. There is an authorization available to the Department of Commerce by which a form of voluntary allocation or rationing could be adopted. There is no authority by which any mandatory government allocation could be adopted. We in the Department of Agriculture have felt that such a mandatory scheme of allocation would not be desirable, although there is a shortage throughout the land. As far as we can judge, the degree of shortage from one area to another appears to be about as equitably divided among the areas and as fairly proportioned as could be, under a Government program which would undertake to spread the supplies and direct their use.

Mr. CANNON. Where is the control in that distribution?

Mr. FINN. The control now is solely in the industry itself.

Mr. CANNON. You think then, under the method now in vogue, leaving the matter entirely to one of allocation by the producer and distributor, the shortage will be equitably distributed; or do you think that there is any possibility that any one section of the country or any one product might bear the brunt of that reduction?

Mr. FINN. We feel that it is about as equitably spread as it could be under a Government program of rationing. Also, it appears to be much more acceptable to the American people generally and more in line with our traditional way of doing things. A couple of years ago, while authority for mandatory allocation did exist, the Department of Agriculture recommended against its use. The authority expired and we have not felt that it was wise to ask for any restitution of it.

Mr. CANNON. Under the circumstances, in view of the certain shortage, the inadequacy of supply of fertilizer, the Department is giving attention to the matter and is giving sufficient attention to warrant negotiations with the producer and the distributor?

Mr. FINN. Yes.

Mr. CANNON. There is a definite understanding, then, between the Department and the industry?

Mr. FINN. All significant shortages reported to us are immediately and promptly reported to the industry. As a rule we inquire subsequently as to what action if any was taken about the relief of reported shortages. While members of the industry have not in all

cases reported that they solved the problem, they have mostly given a creditable account of themselves in their actions.

Mr. CANNON. You have had some assurances, then, of cooperation?

Mr. FINN. Definitely; sir, sir.

Mr. CANNON. How long do you think the situation abroad will warrant drafts on American fertilizer?

Mr. FINN. We do not think the time will ever come when America will cease to export fertilizer. Historically, we have exported significant amounts every year for a long, long time, even though we have been the world's largest importer.

POSSIBILITY OF FUTURE SELF-SUFFICIENCY OF FERTILIZER PRODUCTION IN EUROPE

Mr. CANNON. Will the time ever come when the western nations who are incorporated in this program will be self-sustaining in fertilizer?

Mr. FINN. Yes. Their estimate that this will come about 1951 and we think it is a fair estimate.

Mr. CANNON. And the amount of export from the United States will be so distributed over those years that we will never be asked for more than we are supplying this year?

Mr. FINN. That is what we recommend. We estimate that even before 1951 shipment of commercial United States material to the area will cease. It is believed that they will be able to get enough from other sources of supply—Chile and Canada—to meet their requirements without drawing upon the United States.

Mr. CANNON. In the meantime, the prospect is that the supply that is produced here in America will increase to a point where it will meet all our own needs in addition to any exports which we may ship out?

Mr. FINN. We hope so. We rely upon the further conversion to commercial operation of the capacity now used by the Army for its fertilizer program.

FUTURE OF FERTILIZER FOREIGN TRADE OF THE UNITED STATES

Mr. CANNON. This is not exactly germane, but it has a relationship to the subject; when, if ever, will America reach the point where she will be self-sustaining in the production of fertilizer and will cease to import fertilizer?

Mr. FINN. Well, that is a big order. Imports and exports are partly a matter of trade preference. You will note from the table that we have been discussing, before the war the United States both imported and exported by choice. It was deemed advantageous for us to do that. And while we expect our own production to grow further and eventually to become about equal our own requirements, we think that notwithstanding that expansion, there will be some preferences for imported material. No doubt foreign countries will be able to offer prices and other considerations advantageous to us wherein some of our farmers will choose to buy at least some of their requirements from those sources rather than out of domestic manufacture. We do not envision a time when we will completely eliminate imports. We think that there will be a continuation of at least some imports.

Mr. WIGGLESWORTH. If there are no further questions, thank you, Mr. Finn.

TIMBER

STATEMENT OF W. N. SPARHAWK, UNITED STATES FOREST SERVICE

Mr. WIGGLESWORTH. We will take up the item of timber.

Mr. NORTHRUP. We have Mr. Sparhawk, of the Forest Service, with us, who is familiar with the figures.

Mr. WIGGLESWORTH. Mr. Sparhawk, have you for the committee a table similar to what we have had with respect to other commodities, showing the supply of timber in this country and the exports contemplated against it?

STOCKS, PRODUCTION, IMPORTS, TOTAL SUPPLY AND EXPORTS

Mr. SPARHAWK. I have this table, Mr. Wigglesworth, table 3.

Mr. WIGGLESWORTH. We will put that in the record at this point.

(The table referred to is as follows:)

TABLE 3.—*Stocks, production, imports, total supply, and exports of timber for the United States, for specified periods*

[Million board feet]

Commodity	Year	Carry-in stocks	Production	Imports and shipments	Total supply 3+4+5	Domestic disappearance	Exports and shipments				Carry out stocks
							Total all countries		Total ECA countries (excepting DOT)		
							Quantity	As percent of supply	Quantity	As percent of total exports	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Lumber [1]	1948–49	[2] 8,900	[2] 38,000	1,400	48,300	[2] 37,200	1,400	2.9	686	49.0	[2] 9,700
	1947–48 [3]	6,790	[2] 38,000	1,315	46,105	[2] 35,854	1,351	2.9	687	50.9	[2] 8,900
	1946–47	4,640	[2] 36,400	1,238	42,278	[2] 34,839	649	1.5	241	37.1	6,790
	Prewar [4]	16,800	26,631	607	44,038	25,514	1,224	2.8	[5] 525	42.9	17,300

[1] Figures for plywood and hewn ties not included; hence figures in column (10) are somewhat less than ERP requirements for "timber."
[2] Preliminary estimate.
[3] Calendar years 1946, 1947, 1948.
[4] Average 1935–39.
[5] Year 1937 only.

AVAILABILITY AND DEMAND FOR 1948–49

Mr. WIGGLESWORTH. These figures indicate that in 1948–49, there is an estimated production of 38,000,000,000 board feet, to which should be added 8,900,000,000 carry-over from the previous year; anticipated imports of 1,400,000,000 giving a total supply of 48,300,000,000 board feet; against which there is an estimated domestic demand of 37,200,000,000 and exports to all countries of 1,400,000,000 or 2.9 percent, of which roughly one-half is going to the ECA countries, leaving a carry-over into the fiscal year 1950 of 9,700,000,000 board feet, or about 800,000,000 in excess of the carry-in from fiscal year 1948–49.

You also indicate a production in 1948 and 1949 of roughly the same as in the current fiscal year, and somewhat in excess of the production in the fiscal year 1947, and almost a 50 percent increase over prewar production.

Importations are slightly more in 1949 than in 1948, about two and a half times what they were in prewar; domestic consumption 37,200,000,000 as compared with 35,800,000,000 in the current year and 25,514,000,000 prewar; exports to all countries 1,400,000,000 as compared with 1,351,000,000 the current year and 1,224,000,000 in the prewar period.

ESTIMATES OF DOMESTIC REQUIREMENTS

Does that domestic consumption estimated at 37,200,000,000 board feet in the fiscal year 1949 meet all our requirements?

Mr. SPARHAWK. I think we have estimated that we could use more, but that is more than we have been using.

Mr. WIGGLESWORTH. How much more could we use?

Mr. SPARHAWK. That is a matter of price and other restrictions that may hold up building. If building could go ahead full steam, we would require quite a bit more.

Mr. WIGGLESWORTH. How much more percentagewise?

Mr. SPARHAWK. It could go up to—well, this would be just a wild guess—but probably up to 2 or 3 billion more, anyway.

Mr. WIGGLESWORTH. You mean somewhere around 40 billion feet?

Mr. SPARHAWK. That is right. That would be more than our consumption has been at any time since before World War I, excepting 1 year during this last war.

Mr. WIGGLESWORTH. That would represent a deficiency of about 8 percent?

Mr. SPARHAWK. Something like that.

Mr. WIGGLESWORTH. And against that deficiency you have a carry-over estimated at 9,700,000,000?

Mr. SPARHAWK. The carry-over perhaps needs a little explanation. If you will look at the prewar figure, there was a carry-over of about 17 billion. Of course, the nature of the lumber industry is such that you have to have a considerable stock both at the mill for seasoning and in the hands of the dealers, to say nothing of stocks in the hands of processors, and that 17 billion is somewhere near a normal stock that ought to be had to keep the pipe lines in correct balance. During the war it was brought away down. I think this 4,600,000,000 is a little above the low point that was reached during the war when that condition prevailed and a great many of the lumber yards had practically no stocks; those that had stocks were very badly unbalanced. You could not go into a yard and get the kind of lumber you wanted. And a great deal of the lumber that was going into use was not seasoned.

Mr. WIGGLESWORTH. You mean to say, then, that we ought to have a carry-over of 17,300,000,000?

Mr. SPARHAWK. Probably at least that.

Mr. WIGGLESWORTH. So that really the deficiency would be of this order; 7,600,000,000 in carry-over and 2 or 3 billion in the domestic disappearance column. That would be around 10,000,000,000 or say 20 percent on the basis of total supply.

Mr. SPARHAWK. That is right. Of course, the stocks have been building up gradually since the low point. There has been a little added every year and it will probably continue.

Mr. WIGGLESWORTH. This contemplated program will leave us in a position far different from our position in the present fiscal year, is that right?

Mr. SPARHAWK. The program will leave us in about the same position as now.

Mr. WIGGLESWORTH. But using an over-all deficiency of around 20 percent on the basis that we have just discussed.

ESTIMATED EXPORTS OF LUMBER

The CHAIRMAN. The total exports to these countries are set up as approximately 24,000,000,000 board feet, is that right?

Mr. SPARHAWK. No; 24,000,000 cubic meters. The table that I am looking at now is in cubic meters which perhaps is a little confusing.

The CHAIRMAN. That is on a different basis than the figures in the other table?

Mr. SPARHAWK. That is right. A cubic meter is 424 board feet.

The CHAIRMAN. On that basis, then, that table shows exports from the United States of about 800,000,000 board feet whereas the table that we have just been discussing shows exports of 1,400,000,000. They do not seem to jibe. We would like to have them jibe, anyway.

Mr. SPARHAWK. The 1,400,000,000 board feet represents exports to all countries. The 1,835,000 cubic meters figure, which is about 780,000,000 board feet, represents exports to ECA countries.

The CHAIRMAN. This 24,000,000 figure here would be the equivalent to about 10,000,000,000 board feet; that is not exactly right, but it approaches it.

Mr. SPARHAWK. It would be very close.

IMPORTATIONS FROM WESTERN HEMISPHERE FINANCED BY ECA

The CHAIRMAN. So that about between one-quarter and one-fifth is supplied by Canada?

Mr. SPARHAWK. That is right.

The CHAIRMAN. Do we pay for that? I suppose we do.

Mr. NITZE. I believe it is estimated that we would pay for a portion of that.

The CHAIRMAN. Practically all of it?

Mr. NITZE. The total imports from Western Hemisphere countries represents $333,000,000 on a 15-month basis; it is anticipated that $142,000,000 on a 12-months basis would be financed by ECA.

Mr. STEFAN. It is $185,400,000 for 15 months and $142,200,000 for 12 months, from April 1, 1948, to March 31, 1949, of which how much is in the Canadian set-up?

The CHAIRMAN. Canada is financing $50,000,000 out of all her exports. That is right, is it not? And that might be on wheat and it might be on something else, we cannot tell.

Mr. STEFAN. If you break down the $142,200,000—you said that she pays a certain portion of it—what portion is Canada paying?

Mr. NITZE. I do not know.

Mr. STEFAN. We would pay for all of it except that which Canada pays for, is that right?

Mr. NITZE. Yes.

Mr. STEFAN. If her total payments are $50,000,000, certainly there would not be very much of that in timber, because she will be shipping someting else, too.

Mr. NITZE. Part of the Canadian exports would be financed by Canadian imports from participating countries, so it is a little more complicated.

The CHAIRMAN. It is not all contributions, then?

Mr. NITZE. It is not all contributions.

The CHAIRMAN. The other Western Hemisphere items are the equivalent of somewhere around 80,000,000 board feet?

Mr. SPARHAWK. It is 174,000,000 according to this table.

The CHAIRMAN. Where does that come from, South America?

Mr. SPARHAWK. Quite largely Brazil. There is a little from Newfoundland, and very small quantities from two or three of the Central American countries, and Chile.

The CHAIRMAN. Is that financed by us or is that trade?

Mr. NITZE. I think it is probably trade.

LUMBER TO BE SUPPLIED BY OTHER NONPARTICIPATING COUNTRIES

The CHAIRMAN. And the other nonparticipating countries seem to be quite an item there, 8,490—whatever that unit is. I do not understand it.

Mr. SPARHAWK. It is thousand cubic meters. It makes approximately 3.5 billion board-feet.

The CHAIRMAN. That comes from where?

Mr. SPARHAWK. Very largely from eastern Europe.

The CHAIRMAN. Behind the curtain?

Mr. SPARHAWK. Behind the curtain.

The CHAIRMAN. Did they have a considerable importation last year from there?

Mr. SPARHAWK. I think they did. Not nearly as large, though; and that is one of the points in the present situation, that the war has upset the normal channel of trade for Europe. Previously the major exporting countries were Russia, Finland, Poland, the Baltic States, which are now in Russia, Sweden, Czechoslovakia, Austria, Rumania, and small quantities from Yugoslavia.

The CHAIRMAN. So you really do not know whether that is coming or not?

Mr. SPARHAWK. Some has been coming. Russia, though, is practically out of the export market and has been really a net importer on account of the very large destruction over there and the fact that she has been taking reparations timber from Finland, from Rumania, from other areas. The Finnish industry has not gotten back anywhere near normal. A good part of her timber has had to go to Russia instead of going west as it normally did. The Finns have exported some west, but not very much. The Poles have exported a small quantity west, but they have an enormous reconstruction job of their own to do. The Czechs have not exported very much, nor the Austrians. It has been pretty well shut off and that, of course, is one reason why there has been a real crisis in the timber supply in western Europe.

The CHAIRMAN. Then you really cannot tell anything about what you are going to get from the other countries?

Mr. SPARHAWK. You cannot tell, this is just an estimate.

The CHAIRMAN. It is just a hope.

Mr. SPARHAWK. It is really a hope. Some of the countries have made trade agreements, concerning which I have no details, but I know there have been negotiations with some of them in which the timber item is quite an important item.

The CHAIRMAN. And they would be financed through their own trade?

Mr. SPARHAWK. Yes.

ESTIMATED SUPPLY OF TIMBER FROM PARTICIPATING COUNTRIES

The CHAIRMAN. You have the participating countries in there for perhaps 3,000,000,000 board feet?

Mr. SPARHAWK. Yes; it is almost the same, about 3.4 of a billion.

The CHAIRMAN. What are they?

Mr. SPARHAWK. That is intercountry trade. The biggest one would probably be Sweden. Western Germany which until now has been an importing country and since the war has changed on account of circumstances; Austria exports quite a bit. Norway exports some and France is both an exporter and an importer. She exports pit props and some hardwoods and imports softwoods.

The CHAIRMAN. That would be financed how? Would that be financed by us?

Mr. NITZE. That is not included in these estimates.

ESTIMATED TIMBER FROM DEPENDENT OVERSEAS TERRITORIES

The CHAIRMAN. That is not included in the proposal submitted to us. Now, the dependent overseas territories; perhaps 300,000,000 feet there?

Mr. SPARHAWK. Just about 300,000,000.

The CHAIRMAN. Where does that come from?

Mr. SPARHAWK. Very largely French and British Africa, with very small quantities from the East Indies, British Guiana, British Honduras, small quantities; but very small. The great bulk of it is Africa.

The CHAIRMAN. British or French?

Mr. SPARHAWK. Both.

The CHAIRMAN. And that is hardwood practically?

Mr. SPARHAWK. Practically all hardwood; yes.

The CHAIRMAN. It is not the intention to go substantially beyond the 1,400,000,000 of exports from the United States; or is it?

Mr. SPARHAWK. No; I think not. There is one point perhaps I should mention there. If you will notice this table 3, the total exports to ECA countries is 686,000,000 as against 784,000,000 in other tables. That is because table 3 represents sawed lumber. The figures were not available for plywood and hewn ties, and there are also some barrel staves and products like that on which there were no statistics, so they do not appear in this table 3, but they are in the other table.

The CHAIRMAN. They are included in this table?

Mr. SPARHAWK. In the 1,835 on the big table.

The CHAIRMAN. The big item of imports goes to Belgium?

Mr. SPARHAWK. The biggest one, the United Kingdom.

The CHAIRMAN. It is quite big to Belgium; it is not as much as prewar, but quite substantial, and qhite a lot financed through the ECA. What does this 253 refer to; cubic meters?

Mr. NORTHRUP. That is correct; 253,000 cubic meters.

The CHAIRMAN. That means a little over 100,000,000 board feet?

Mr. NITZE. Yes.

Mr. SPARHAWK. Yes; 253,000 cubic meters would be approximately 100,000,000 board feet.

The CHAIRMAN. Denmark is not so large, but larger than the prewar in her imports. I just do not understand why that should be; do you?

Mr. SPARHAWK. They have had quite an increase in population, and the increase has come about, to some extent, because of the fact that her forests were overcut quite heavily during the war and they have a very small forest area anyway.

The CHAIRMAN. What is the explanation for the figures for France compared with her prewar production?

Mr. SPARHAWK. There are two explanations for that. In the first place they explained to us during the four or five prewar years, on which these figures are based, that they were going through somewhat of a depression and their building industry at that time was in a slump and their consumption was a good bit below normal in the 4 or 5 years immediately before the war.

Then of course the major point is that there was very great destruction of their buildings, railroads, mines; and mining timber is now an important item in here; it is necessary to get their mines into operation in order to produce coal; and it is necessary to restore their railroad tracks with ties, and altogether that is a justification for a rather large increase over the prewar consumption.

The CHAIRMAN. There does not seem to be anything down here for 1946–47.

Mr. SPARHAWK. The figures were not available on those years.

The CHAIRMAN. You do not have any idea at all what it was?

Mr. SPARHAWK. I know what our exports to them were.

The CHAIRMAN. Very small?

Mr. SPARHAWK. In 1947 they got only 21,000,000 board feet.

The CHAIRMAN. A great deal of what goes in these figures will come from the United States?

Mr. SPARHAWK. Not very much, no.

Mr. NORTHRUP. I can supply you with the figures for France; 326,000 cubic meters out of a total import of 2,619,000.

Mr. SPARHAWK. About one-eighth.

The CHAIRMAN. Greece is a small item, comparatively speaking.

Ireland seems to have as much imports as before the war; in fact it is one of the big items to be financed by us. That looks like a situation where it is not necessary; it is not one of the pressing problems, I would not think.

Mr. SPARHAWK. Ireland is only two-thirds of prewar imports.

The CHAIRMAN. I appreciate that, yes, but we would be financing it; it is a little bit difficult the way it stands. They had no destruction

in their place like France or Britain and I think probably they would be given preference. After all, if we are to finance it, it should not be in there. That is one item which should not be in the ERP program.

Italy seems to be a little bigger than prewar. I presume probably that might be justified from the standpoint of the need for rehabilitation. Is that 2,500,000 cubic meters, that comes out of the United States?

Mr. NORTHRUP. Two hundred and nine thousand cubic meters comes from the United States.

The CHAIRMAN. The rest of it is out of Austria or Canada or some place in Europe?

Mr. SPARHAWK. A very large part of it from eastern Europe.

The CHAIRMAN. Eastern Europe.

Mr. SPARHAWK. They get quite a bit from Austria.

The CHAIRMAN. Did they get quite a bit last year from eastern Europe and Italy?

Mr. SPARHAWK. I do not know, except I know they did get some from Austria, and they got some from Czechoslovakia, and normally they get some from Yugoslavia when they are peaceable.

The CHAIRMAN. Netherlands seems to have quite a big item. They get quite a considerable amount from Canada, do they not?

Mr. NITZE. Ninety-eight thousand cubic meters from the United States; a very substantial amount is from Canada—341,000 cubic meters.

The CHAIRMAN. The rest of it comes from the back countries?

Mr. SPARHAWK. And Sweden.

Mr. NITZE. From the back countries and from eastern Europe.

The CHAIRMAN. We are to finance a considerable part of that coming from Sweden?

Mr. NITZE. Only that coming from the Western Hemisphere.

Mr. SPARHAWK. The Netherlands is also getting quite a bit from western Germany; they have crews cutting timber in some of the occupied areas.

The CHAIRMAN. Norway: I thought they had quite a timber production, but they do not do much exporting, do thay?

Mr. SPARHAWK. They export some; their main export now is in the form of pulp; they are trying to get their own industry built up.

The CHAIRMAN. That is paper pulp?

Mr. SPARHAWK. That is correct.

The CHAIRMAN. It is not a timber job so much as it is a pulp?

Mr. SPARHAWK. They export some lumber.

The CHAIRMAN. Not much.

Mr. SPARHAWK. They import quite largely to meet their pulpwood needs. They export some pit props.

The CHAIRMAN. For Portugal there is a considerable set-up for imports. While they are not up to the prewar picture, they had no destruction to repair, so they ought to be able to get along moderately well, and that ought to be considered.

Sweden: It does not seem that she ought to have much imports at this time of timber products.

Mr. SPARHAWK. The situation with respect to her imports refers to special stuff that she does not produce, certain kinds of timber, and the amount is very small.

The CHAIRMAN. Her biggest consumption of lumber is connected with the paper business.

Mr. SPARHAWK. The paper industry is the major industry; she does have some exports of softwoods.

The CHAIRMAN. Not a very big item; it runs only about 15 percent of her production, over-all.

Mr. SPARHAWK. Yes; she uses a great deal of her production for pulp; it goes into pulp products rather than woods—pulp and paper.

The CHAIRMAN. Switzerland: Her imports are practically at prewar with a very substantial import figure. I do not know whether that is good judgment or not.

Mr. SPARHAWK. Very little of that is from the United States; it is mostly from Austria, Czechoslovakia, and the eastern countries. And they have quite a large pulp industry which they cannot supply themselves. They have reduced their domestic production a little because they over-cut rather heavily during the war; they attempted to be entirely self-sufficient during the war.

The CHAIRMAN. Britain has quite a substantial import figure, but I suspect the situation is just as critical as ours.

Mr. SPARHAWK. Of course, Britain is a very special case in that they always have imported better than 95 percent of their timber requirements. As you know, they have only about 3,000,000 acres of timberland, about as much as the State of New Jersey, and they cut very heavily into their timber during the war; they supplied something like 60 percent of requirements from their own timber and cut very largely into their timber supply.

The CHAIRMAN. With reference to the German picture: I suppose they have got to have materials to fix up their houses as best they can.

Mr. SPARHAWK. That is partially the reason for it, but a very big element is the mine props, pit props for coal mines for the Ruhr and the Saar and some of the other areas that did not supply their own needs, where timber has been imported from other areas, and they are being called upon to ship out large quantities to France, England, and Belgium, and to the Netherlands; also some to Italy and to Switzerland.

The CHAIRMAN. I think that takes care of all the items I have with reference to timber.

Mr. NITZE. With reference to timber, Mr. Chairman, there is one more point we have from our people concerning the United Kingdom: They feel this figure for timber imports into the United Kingdom is really so low as to constitute only a portion of the real needs.

Mr. SPARHAWK. It is very much lower than the quantities they have had; and there is particularly a shortage of sawn softwoods, not only in the United Kingdom but in practically every country.

FARM MACHINERY

Mr. STEFAN. These figures are not clear to me. We have been furnished a statement showing that the first year's operation of ECA demands will require one-fourth of our production annually.

Mr. NITZE. That I think refers to our entire exports, not just those to ERP countries.

Mr. STEFAN. The domestic shortage will be intensified by the demand for farm machinery, and with the ECA program, in its first year's operation, the program will demand nearly one-fourth of our production annually. That is what is stated in this report, and I am reading from the record.

WOOL

STATEMENTS OF HARLAN BRAMBLE, SPECIAL ASSISTANT TO CHIEF OF INTERNATIONAL RESOURCES DIVISION, DEPARTMENT OF STATE; AND DAVID M. PETTUS, MARKETING SPECIALIST, DEPARTMENT OF AGRICULTURE

The CHAIRMAN. Do you have anything on wool that you can give us representing the over-all picture?

Mr. NORTHRUP. We have prepared in our Department, assuming you would want to see it, the same type of availability statement with respect to United States wool as we presented for all other United States food commodities.

I would like to explain, however, that at the moment the figures on this table are somewhat tentative. We are having them checked, and if we find any changes are appropriate we should like to correct the record if that is permissible. As far as we know these figures are substantially correct.

Mr. WIGGLESWORTH. Does this apply to item 34, wool, or does it also apply to item 35, wool yarn, and item 36, woolens and worsteds?

Mr. NORTHRUP. This table applies only to wool.

Mr. WIGGLESWORTH. The other items would come under the Commerce Department?

Mr. NORTHRUP. That is right.

Mr. NITZE. There are no imports from the Western Hemisphere of the other two items. They are important only from the export picture.

The CHAIRMAN. They are important from the standpoint of who is financing it, though.

Mr. NITZE. There is no financing of those possible, because there are no imports from the Western Hemisphere of the other two items. We only put those in because it is a matter of importance from the European export picture.

STOCKS, PRODUCTION, IMPORTS, TOTAL SUPPLY, AND EXPORTS OF APPAREL WOOL

The CHAIRMAN. We will insert this table in the record.

(The table above referred to is as follows:)

Stocks, production imports, total supply and exports of apparel wool for the United States for specified periods

Commodity	Year	Carry-in stocks	Production	Imports [2]	Total supply	Domestic disappearance	Exports [1]				Carry-out stocks
							Total all countries		Total ERP countries (excepting DOT)		
							Quantity	As percent of supply	Quantity	As percent of total exports	
		Mil. lbs.	*Mil. lbs.*	*Mil. lbs.*	*Mil. lbs.*	*Mil. lbs.*	*Mil. lbs.*		*Mil. lbs.*		*Mil. lbs.*
Apparel wool [2]	1948–49 (estimated).	680	290	500	1,470	850	145	9.9	145	100.0	475
	1947–48 (estimated).	821	310	480	1,611	921	10	1.6	10	100.0	680
	1946–47	931	342	654	1,927	1,097	9	.5	7	77.8	821
	Prewar [3]	256	424	90	770	553	0	0	0	0	217

[1] Imports include shipments from United States Territories; exports include shipments to United States Territories.
[2] Production and stocks are on a grease basis; imports and exports are actual-weight basis, either grease or scoured.
[3] 5-year average, 1935–39 calendar years.
[4] Carry-out stocks are Jan. 1, 1936–40 average.

Mr. STEFAN. Is this all wool?

Mr. BRAMBLE. This is apparel wool; it does not include carpet wool.

Mr. WIGGLESWORTH. Does item 34 extend to carpet wool, as well as apparel wool?

Mr. BRAMBLE. That is apparel wool.

Mr. STEFAN. When you say "apparel wool," is that stocks you are procuring from Argentina?

Mr. BRAMBLE. That is right.

Mr. STEFAN. Raw wool?

Mr. BRAMBLE. Raw wool that will be used for making apparel, not for making carpets.

The CHAIRMAN. Do you have a short statement you would like to make to us on this particular thing, Mr. Northrup?

Mr. NORTHRUP. Yes; I can make a short statement.

INCREASE IN WOOL STOCKS AS COMPARED WITH PREWAR

One important thing that immediately is apparent from the table is the net increase of our wool stocks now, as compared with prewar.

Mr. WIGGLESWORTH. But it is less in 1949 than in the current year?

Mr. NORTHRUP. That is right. And this total supply figure also includes the Commodity Credit Corporation's stocks.

Mr. STEFAN. Of 238,000,000 pounds?

Mr. NORTHRUP. The Corporation's stocks are now approximately 238,000,000 pounds, and they are within the 680,000,000-pound estimated, carry-out stocks figure that you see above for July 1 of this year.

The CHAIRMAN. In other words, there is about three times as much currently on hand in the country as Commodity Credit has?

Mr. NORTHRUP. That is roughly correct.

Mr. BRAMBLE. Industry holds the rest of it.

The CHAIRMAN. And the consumption, the way you are estimating, seems to be dropping off; is that correct?

Mr. NORTHRUP. Yes.

Mr. PETTUS. The consumption has been going down since the peak of 1946.

The CHAIRMAN. You mean there is less current demand for woolen cloth than there was?

Mr. PETTUS. Apparently there is less demand at the price at which the material is offered than there was earlier.

The CHAIRMAN. Due to the price—or you do not know?

Mr. PETTUS. I think it is due in part to the price, but there probably may be other considerations. For instance, a lot of the people coming out of the Army in 1946 had to buy clothes, and now they are better supplied and all they have to do is to resuit themselves.

The CHAIRMAN. They just have to maintain their stocks?

Mr. PETTUS. That is right.

The CHAIRMAN. There is no trouble now for the manufacturers to get all of the wool they want, is there, in the apparel picture?

Mr. PETTUS. They have some difficulty in getting the exact qualities that they want. They prefer to get fine wool and wool that is clean so that it requires a minimum amount of labor to process, and those wools are becoming somewhat scarce throughout the world. But there are still very large stocks of medium wools.

The CHAIRMAN. Do these stocks you indicate here include the carpet stocks and all that sort of thing?

Mr. PETTUS. No, sir.

The CHAIRMAN. Then the items Commodity Credit has perhaps might not be included in these stocks?

Mr. PETTUS. No; they are all included. The only wool Commodity Credit has is what is known as apparel wool.

The CHAIRMAN. But that particular type of apparel wool does not seem to be in particularly great demand?

Mr. NORTHRUP. That is right. We have about 145,000,000 pounds of medium wools in our 238,000,000 stock pile of Corporation stocks. That is 145,000,000 pounds on an actual basis that could be considered as surplus to the United States requirements in terms of effective demand from the manufacturers.

The CHAIRMAN. In other words, the kind of wool our folks want to put into garments is not the type of wool that this 145,000,000 pounds is?

Mr. NORTHRUP. That apparently seems to be true at this time.

Mr. STEFAN. It was testified here yesterday that half of this 238,000,000 pounds we have on hand is pretty good wool, and the rest we will probably have to sell at a loss.

Mr. NORTHRUP. That is about what these figures indicate. On that 145,000,000 pounds, undoubtedly we shall negotiate with Mr. Hoffman about the possibility of moving that into export if an effective demand can be developed for it in the European nations.

PURCHASES OF WOOL BY COMMODITY CREDIT CORPORATION

The CHAIRMAN. Is that wool that we took off somebody's hands during the war?

Mr. PETTUS. That is wool the Commodity Credit acquired from producers in this country during the war and since the war. We are still buying and offering to buy all wool produced.

The CHAIRMAN. Why would we be encouraging farmers to raise a type of wool that we cannot use? Why would not we be using better judgment than that?

Mr. PETTUS. Congress has required us to buy this wool at these prices until the end of this year.

Mr. STEFAN. Under the price-support program?

Mr. PETTUS. Under the special wool bill which was passed almost a year ago.

Mr. STEFAN. What is the subsidy on wool; how much are we paying; what are we guaranteeing?

Mr. PETTUS. We are paying about 42 cents a grease pound for wool now. The price varies somewhat by the grades.

Mr. STEFAN. Under the wool bill, what do we guarantee now?

Mr. PETTUS. Forty-two cents a pound.

Mr. STEFAN. We are guaranteeing 42 cents a pound, and the farmer is selling to Uncle Sam because he cannot get that in the open market?

Mr. PETTUS. That is right.

Mr. STEFAN. And we guarantee to take it at that price up to what month?

Mr. PETTUS. Through December 31, 1948.

Mr. STEFAN. And we did not specify the kind of wool we were going to buy, but all wool?

Mr. PETTUS. All wool.

Mr. STEFAN. That is the answer, because we bought every class of wool and had 431,000,000 pounds on hand on January 3, 1947, and we sold all except 238,000,000 pounds, and we have half of that that is salable and the ohter half is not. And the reason se are buying is salable and the other half is not. And the reason we are buying that wool is because we are paying a higher price than the manufacturer can get wool in Argentina, and the wool in Argentina is said to be a better quality, and they are buying their wool in Argentina.

Mr. NORTHRUP. That is approximately correct.

Mr. STEFAN. So that we have on hand here 238,000,000 pounds of wool which, perhaps, could be made into rough cloth in Eurpoe, but the Europeans do not want that, and you say you are going to have to take a loss on it?

Mr. NORTHRUP. We may have to, yes, sir.

Mr. STEFAN. You might as well give it away to those people who need something to wear.

Mr. NORTHRUP. It may not be necessary to take a give-away loss.

Mr. STEFAN. But you are not going to get anything back from the ECA program. You know that.

Mr. NORTHRUP. But it will be less of an operation, so to speak, on the part of the Government to move it to European destinations on a competitive basis. I will ask Mr. Pettus to explain to you some of the problems that are involved in moving it to European countries, problems of grade, packaging, and so forth.

Mr. STEFAN. There will be a lot of problems if you add the 24.6 million dollars' worth of ECA obligations and the 19.1 million dollars of potential purchase and the 96.7 million dollars' worth from the Western Hemisphere. That is a problem in itself—to raise that money.

Mr. NORTHRUP. Correct. But if you move this particular wool in the Corporation's stocks into Europe, just as a rough guess, we would need to consider with Mr. Hoffman the desirability of moving it under section 112 (e) of the ECA bill. Under that section of the act, provision is made for reimbursement to Commodity Credit out of section 32 funds. As a rough estimate, considering world prices versus the cost of this wool to the Corporation, we would guess, maybe, it might take about $16,000,000 or $18,000,000 of section 32 funds to bridge that gap. This amount would be in addition to that provided for in this budget for the purchase of other wools.

I think the only thing we can say firmly at this time is that the extent to which this can be done will depend upon negotiations among the three interested groups, that is, the European countries, Mr. Hoffman's organization, and the Secretary of Agriculture.

But, as you pointed out, there are some problems with respect to the European nations which never have been accustomed to buying wool from this country. That is true. And there would be problems of repackaging, perhaps rebaling, and all that multitude of things, and of convincing them that the wool is a kind they can effectively use. Maybe it would not provide as good a quality in certain cases, but nevertheless it might be useful for certain end uses in Europe.

You can have full assurance that the Secretary of Agriculture will negotiate that with Mr. Hoffman's organization.

SOURCE OF WOOL FOR ECA PROGRAM

The CHAIRMAN. Now, according to this set-up on this table, you are not planning to get any of that wool from the United States, although what you have just said indicates it is possible you might. That is correct, is it not?

Mr. BRAMBLE. If I might answer that, at the time these figures were put together, the legislation had not been passed and we did not know that funds would be available to the Secretary of Agriculture or that the Secretary of Agriculture would make a decision that he would use section 32 funds to move this wool into trade. Se we assumed the wool from the United States would not be subsidized and would not move.

The CHAIRMAN. Your present program is what I want to know about.

Mr. NORTHRUP. Even if this quantity or part of it is substituted to move from this country to Europe versus taking the same amount from Argentina or some place else, it will still require about the same amount of money from Mr. Hoffman's appropriation plus some section 32 funds.

The CHAIRMAN. Perhaps that is so; but we would not be depleting any stock that would be required for our own protection.

Mr. NORTHRUP. That is correct.

The CHAIRMAN. And it would liquidate $40,000,000 or $50,000,000 of Commodity Credit holdings.

Mr. NORTHRUP. It would do more than that.

The CHAIRMAN. No; it would be just about that.

Mr. PETTUS. There is 150,000,000 pounds involved.

The CHAIRMAN. I thought it was 150,000,000 pounds of usable wool you had and about 100,000,000 of the other kind.

Mr. PETTUS. It is the other way around.

The CHAIRMAN. Then it might be $75,000,000 of Commodity Credit.

Mr. NORTHRUP. That is correct.

The CHAIRMAN. Now, you have other Western Hemisphere countries in here to supply 113,000 tons.

Mr. NORTHRUP. That is right.

The CHAIRMAN. From where did that come?

Mr. BRAMBLE. Primarily, that comes from the River Plata area, which includes Uraguay and Argentia.

The CHAIRMAN. Who would pay for that?

Mr. BRAMBLE. That would be financed from several sources. Some European countries would be expected to pay for some of it by exports which they would make to South American countries; in other cases, they would receive credit from the South American countries involved; and in other cases, we would be expected to take a portion of it.

The CHAIRMAN. Then you have "Other nonparticipating countries," 661,000 pounds.

Mr. BRAMBLE. That is right.

The CHAIRMAN. From where does that come?

Mr. BRAMBLE. Primarily from the Southern Hemisphere countries—Australia, New Zealand, and the Union of South Africa. Small amounts come from other places.

The CHAIRMAN. That would be financed how—by us?

Mr. BRAMBLE. Not by us. It would be financed in various ways.

The CHAIRMAN. How about the 94,000 from the other participating countries?

Mr. BRAMBLE. That is trade among themselves.

The CHAIRMAN. That would all be financed on their own hook?

Mr. BRAMBLE. That is right.

REQUIREMENTS FOR VARIOUS PARTICIPATING COUNTRIES

The CHAIRMAN. The first one is Austria, and they seem to have about 800 tons.

Mr. CANNON. This wool is raw wool, virgin wool?

Mr. BRAMBLE. Raw wool in the grease.

Mr. CANNON. Do you have any information as to whether there is any domestic production?

Mr. BRAMBLE. In the European countries, you mean?

Mr. CANNON. Yes. While we are providing for this program, is it all home-grown wool?

Mr. BRAMBLE. The wool we are financing, would under this proposal be grown in South America.

Mr. CANNON. No American wool would be included?

Mr. BRAMBLE. We are not certain about that.

The CHAIRMAN. Wait a minute. You have just been telling us if you could arrange it there would be an elimination from the inventory of Commodity Credit of about 150,000,000 pounds and that whatever loss there was would be financed under the European Recovery Act out of section 32 money.

Mr. BRAMBLE. That is right.

The CHAIRMAN. That 800,000 pounds gives them quite considerably more wool than they had prewar and a lot more than they had the last couple of years.

Mr. BRAMBLE. Yes, sir; but not as much more than prewar as would appear from these statistics. Wool, as you may know, in the wool statistics, is reported in actual weight. That means that the weight of scoured wool plus the weight of grease wool is simply added together.

The CHAIRMAN. Without adjustment?

Mr. BRAMBLE. Without adjustment; that is right, except that our forecast for 1948–49 of the 12,000 import figure that you see in the total imports——

The CHAIRMAN. That is all grease?

Mr. BRAMBLE. That is all grease; that is right.

The CHAIRMAN. Belgium and Luxemburg seem to have a larger importation set up than prewar.

Mr. BRAMBLE. We do not have a figure for their prewar imports given in here.

The CHAIRMAN. But you have the amount available.

Mr. BRAMBLE. That is right; but they have a large export business. They bring the wool in, scour it, and ship it out again as scoured wool.

The CHAIRMAN. So that you really cannot tell anything about it?

Mr. BRAMBLE. Not too much about the Belgian statistics.

The CHAIRMAN. But they are financing that themselves—whatever they get?

Mr. BRAMBLE. That is right. That together with what help they would get from the British who are interested in helping to finance wool exports.

The CHAIRMAN. Denmark is away above the prewar picture and away above what they have been getting in the last couple of years, and you are not estimating a very large production?

Mr. BRAMBLE. That is right. Their domestic production has fallen.

The CHAIRMAN. Why would they be getting so much more than prewar?

Mr. BRAMBLE. Well, as in all of those countries, they have a terrific shortage of wool that they have to make up.

The CHAIRMAN. But they have imports of 4,000 tons or 4,100 tons in 1946.

Mr. BRAMBLE. That is right. 1946 is a bad year to compare.

The CHAIRMAN. I know; but you show a little bit of an item for them prewar, and this is away above.

Mr. BRAMBLE. You notice they do not have any figure in here for 1947, and my information is that 1947 was in the neighborhood of 10,000 tons of imports.

The CHAIRMAN. That is away up.

Mr. BRAMBLE. That is right.

The CHAIRMAN. And that ought to have caught them up pretty well.

Mr. BRAMBLE. Yes. We must remember, of course, there is a drive on the part of these European countries to export woolens, because they want to import wool as a raw material, manufacture it, and export the woolens.

The CHAIRMAN. But these people never have been big manufacturers.

Mr. BRAMBLE. Not in the past.

The CHAIRMAN. This is a new business for them.

Mr. BRAMBLE. Essentially.

The CHAIRMAN. And they have a large agricultural population and a large wool capacity.

Mr. BRAMBLE. All of those countries have a capacity to use more wool than they used prewar.

The CHAIRMAN. Undoubtedly, it could be supplied that way.

Now, you have France down for a larger item than prewar. She had a larger item in 1946 and as much as prewar in 1947.

Mr. BRAMBLE. They have expanded their production of wool in France considerably and are emphasizing their export market as a method of earning exchange to buy other commodities. It is a method of self-support.

The CHAIRMAN. That means we are supplying through ECA 12,000 tons.

Mr. BRAMBLE. That is right. That is from the Western Hemispehere.

The CHAIRMAN. It does not look like Greece has quite as much as they got prewar, and their local production seems to be just about the same.

Mr. BRAMBLE. About the same. The Greek requirements there, which we are not financing through ECA funds, are their own estimate of how much they would need.

The CHAIRMAN. Iceland does not have any.

Mr. BRAMBLE. Iceland is an exporter of carpet wool.

The CHAIRMAN. There is not much import in Ireland.

Mr. BRAMBLE. That is right.

The CHAIRMAN. There is quite an item for Italy, away above prewar.

Mr. BRAMBLE. That is right.

The CHAIRMAN. And they had away above prewar in 1946 and 1947.

Mr. BRAMBLE. That is right.

The CHAIRMAN. It would seem like they ought to be fairly well caught up.

Mr. BRAMBLE. They are a fairly large exporter of yarns and textiles. That is one of their methods of supporting themselves and earning exchange.

The CHAIRMAN. But they are getting away beyond what they ever had before.

Mr. BRAMBLE. That is right; but, of cours,e they had an overcapacity in the past which they are able to use now, and in the last few years the other countries of Europe, which have not been able to restore their wool production to prewar levels, have been using Italian yarns.

Mr. WIGGLESWORTH. Well, these figures do not seem to indicate any exports.

Mr. BRAMBLE. There are no exports of wool; those are exports of yarn.

The CHAIRMAN. They would be reflected down in the second line under woolens and worsteds?

Mr. BRAMBLE. That is right.

The CHAIRMAN. So it does show some exports?

Mr. BRAMBLE. That is right.

The CHAIRMAN. The Netherlands seems to be away above the prewar figure in the imports that are to be sent in there.

Mr. BRAMBLE. Yes.

The CHAIRMAN. Five times as much.

Mr. BRAMBLE. Of course, the shortage in the Netherlands has been serious. The shortage of clothing there has been worse than in other countries.

The CHAIRMAN. But if they had a capacity to produce 6,000 tons, that would not mean they would have a capacity to use 25,000 tons.

Mr. BRAMBLE. The 1947 figure is not included in here, but my information is that was 28,000 tons.

The CHAIRMAN. 28,000 in 1947?

Mr. BRAMBLE. That is right. A large part of these imports, of course, go to fill pipe-line supplies and depleted stocks.

The CHAIRMAN. But there would not be that much.

Mr. BRAMBLE. Not that much, of course.

The CHAIRMAN. And their factory capacity could not be much more than what they had prewar; they could not have the spindles.

Mr. BRAMBLE. That is right; their factory capacity would not be much more than they had prewar.

The CHAIRMAN. How do they use all of that?

Mr. BRAMBLE. They were not using more than one-third of their capacity prewar. But the woolen capacity all over the world has been greatly unused.

The CHAIRMAN. Even so, they would not have enough to add five times.

Mr. BRAMBLE. Their production of wool yarns prewar was 4,600, and it is estimated their production now would be 17,000, which is a little more than three times.

The CHAIRMAN. That is a pretty big jump.

Mr. BRAMBLE. You will notice they produced 15,000 tons in 1947.

The CHAIRMAN. Norway shows quite a large increase in the import picture.

Mr. BRAMBLE. Over prewar?

The CHAIRMAN. Yes—even with quite a substantial figure above prewar in 1946 and 1947, which should have allowed them to catch up pretty well.

Mr. BRAMBLE. I am puzzled about that.

The CHAIRMAN. I am kind of puzzled about a lot of this picture on wool.

Mr. BRAMBLE. That prewar figure of 900 tons is rediculously low. I do not know to what to ascribe it. Sometimes these statistics of foreign countries can be confusing. Certainly, I do not believe their actual imports were that low in the prewar period. They did, of course, import.

The CHAIRMAN. They did not do very much manufacturing of woolen cloths, did they?

Mr. BRAMBLE. Not very much, although their supply of yarns and worsteds are things that count, and their postwar production of yarn is not far greater than is their prewar production of yarn. Five thousand tons is not very much.

Mr. NITZE. They can hardly make 5,000 tons of yarn out of 3,500 tons of wool, unless they used stocks that year.

Mr. BRAMBLE. Yes; it is pretty hard to account for that figure.

The CHAIRMAN. It sounds as though something is the matter with these figures.

Mr. BRAMBLE. That is right.

The CHAIRMAN. Unless there is a mistake, I do not think they could explain that.

Mr. BRAMBLE. I certainly could not explain it.

The CHAIRMAN. For Portugal, there, again, you have a rather peculiar picture. I just do not understand it. For instance, you have prewar about 7.7; 1946, 14.2; and I suspect 1947 is just as big, with a domestic production bigger than your prewar use. And I do not know, but I presume the imports would run just as big in 1947 as in 1946, so that you would have just as much. And here you have a set-up of 12,000 with 8,000 production and 20,000 available, which is three times the prewar consumption. I do not know why they would be so short of goods as that, and it would seem like that was a rather elaborate picture.

Mr. BRAMBLE. The most of those countries are still short of woolen textiles. You do not have the 1947 import figure here, but there, again, my information is it was about 12,000 tons, or the same as we forecast for 1948–49.

Mr. WIGGLESWORTH. Imports, or available supplies?

Mr. BRAMBLE. Imports.

The CHAIRMAN. If we make 20 available, which is what the figures show, that would more than let them catch up with the war losses.

Mr. BRAMBLE. Of course, that was their estimate of what they were going to import, and, since we were not paying for it or paying for anything else, we had to assume they would do it.

The CHAIRMAN. If it means exports from the United States——

Mr. BRAMBLE. This does not involve any exports from the United States.

The CHAIRMAN. Sweden is set up for three times their prewar, and in each of the two previous years they had had practically three times their prewar.

Mr. BRAMBLE. That is right.

The CHAIRMAN. That is another rather elaborate picture.

Mr. BRAMBLE. That is right. They are using a lot of wool over there.

The CHAIRMAN. Switzerland is another set-up where 1946 and 1947, and projected for 1948, indicate better than twice what the prewar was.

Mr. BRAMBLE. That is right. The consumption of woolen garments, the demand for them, is much greater than it was in the prewar period. Switzerland, of course, is the same as Portugal. We just took what they estimated they would use.

Mr. NORTHRUP. Again, these export items from these countries is where they are getting their exchange.

Mr. BRAMBLE. That is true in the case of some countries; it is not true in the case of Portugal and Switzerland. They do not export much.

The CHAIRMAN. The United Kingdom seems to be down considerably from prewar, both as to imports and availability.

Mr. BRAMBLE. That is right.

The CHAIRMAN. And, while they seem to be up a little from 1946 and 1947——

Mr. BRAMBLE. In 1946 and 1947, they were using stocks which had been accumulated during the war. As you recall, they had surpluses then. And, while they have some stocks left, they are a great deal like ourselves; they have a lot of wool that is not usable; so they import

good wool from Australia and the Union of South Africa. Their difficulty is getting the labor to utilize it all.

The CHAIRMAN. For Germany, there do not seem to be any prewar, 1946, or 1947 figures.

Mr. BRAMBLE. It is almost impossible to get it.

The CHAIRMAN. But the quantity is not very big for the availability nor for the indicated production.

Mr. BRAMBLE. That is right.

The CHAIRMAN. It sounds kind of funny.

Mr. BRAMBLE. Of course, these yarn figures are difficult to derive from the wool, because they mix other fibers with the wool.

The CHAIRMAN. We will take up yarns and worsteds together.

Mr. BRAMBLE. Mr. Chairman, that is the field of the Department of Commerce.

Mr. NITZE. We have Mr. Tyson here on fish.

The CHAIRMAN. All right. We will take up fish.

FISH

STATEMENTS OF ROBERT W. TYSON, CHIEF, FISH AND FISH PRODUCTION DIVISION, PRODUCTION AND MARKETING ADMINISTRATION, DEPARTMENT OF AGRICULTURE; AND CHARLES P. KINDLEBERGER, SPECIAL ADVISER TO OFFICE OF FINANCIAL AND DEVELOPMENT POLICY, DEPARTMENT OF STATE

REQUIREMENTS FOR VARIOUS PARTICIPATING COUNTRIES

The CHAIRMAN. Prewar, Ausria imported about 7,000 tons of fish, and you are figuring they will get 4,000 tons out of 1948.

Mr. TYSON. That is right.

The CHAIRMAN. From where does that come?

Mr. TYSON. That comes primarily from Sweden and Norway.

The CHAIRMAN. Around to Austria?

Mr. TYSON. Yes. Iceland has had some business there and probably will have again.

The CHAIRMAN. That is entirely a private financing proposition?

Mr. TYSON. That is right.

The CHAIRMAN. Belgium and Luxemburg seem to have considerable importations but about the same as prewar and about the same production.

Mr. TYSON. And about the same supply.

The CHAIRMAN. Mostly from their own fishing?

Mr. TYSON. That is right.

The CHAIRMAN. And where else?

Mr. TYSON. They also get it from Britain and Norway, and France.

The CHAIRMAN. Is France an exporter of fish?

Mr. TYSON. The French boats land in Belgium, and it shows up in the Belgian figures, and we cannot always pick out as to whether it stays or goes on through as an export.

The CHAIRMAN. It does not seem to be above their prewar figure or last year's.

Mr. TYSON. No.

The CHAIRMAN. Denmark does most of its own fishing.

Mr. TYSON. Denmark is practically an exporter.

The CHAIRMAN. But you are not putting them down with as much production as they got in 1946 and 1947.

Mr. TYSON. That is right.

The CHAIRMAN. Why do you figure that?

Mr. TYSON. Well, there is not any particularly good reason, except the report we had from there was that their larger boats are not available and they have to go farther to sea and are afraid they would not get as much as they had before.

The CHAIRMAN. You mean the larger boats they had last year are not available?

Mr. TYSON. No; but they were able to catch near-by last year with no competition. And the North Sea is becoming depleted and the catch is falling off.

The CHAIRMAN. France is down for 4,000 tons. From where would that come?

Mr. TYSON. That is mostly canned fish from Canada.

The CHAIRMAN. She seems to be short of her prewar production and away up on her imports. Why would she be short on her production?

Mr. TYSON. It is her production capacity there, again. She is short of fishing vessels. It is practically the same as last year.

The CHAIRMAN. Would they be going out into the North Sea to get them?

Mr. TYSON. That is right; and as far west as Newfoundland waters, and that is an area they are unable to get into at the present time.

The CHAIRMAN. Because they do not have the ships?

Mr. TYSON. They do not have large enough vessels.

The CHAIRMAN. What has become of their vessels?

Mr. TYSON. Quite a lot of them were lost and have not been replaced since wartime.

The CHAIRMAN. And the consumption figures you have shown are a little bigger than prewar?

Mr. TYSON. We anticipated that they would use all the fish they could get hold of because of the shortage of meat.

The CHAIRMAN. In Greece they had quite a substantial catch in 1946, 1947, and also prewar, but you do not have anything down for next year. Why would that be?

Mr. TYSON. We can anticipate about the same quantity. It would be merely used locally anyway.

Mr. NITZE. Their total supply would be higher, however.

Mr. TYSON. Yes, but that would not supplement their requirements for salt fish, however.

Mr. CANNON. Off the record.

(Discussion off the record.)

Mr. TYSON. It is primarily the type of fish that makes it necessary to import from other Western Hemisphere. It is about 1.8 million dollars.

Mr. STEFAN. It was 15,000,000 for the first 12 months and for the 15 months, 22,000,000.

Mr. TYSON. But that is the over-all figure, sir.

Mr. STEFAN. That is the over-all figure?

Mr. TYSON. Yes, sir; and I was talking about Greece only.

The CHAIRMAN. It sounds like there ought to be some effort made somewhere to put to work those boats that we have put up the money to move over there.

Mr. TYSON. I would like to check that 1948 and 1949 production estimate figure again and correct that, Mr. Chairman, because I am quite certain that there is a substantial amount of production there.

The CHAIRMAN. It would not hurt them any to salt fish. It is not hard to get them.

Mr. TYSON. Except that they do not have the type of fish there that would salt.

The CHAIRMAN. They do not have?

Mr. TYSON. No, sir; the salt fish is primarily cod, hake, pollock and that type of fish.

The CHAIRMAN. And mackerel?

Mr. TYSON. No, sir; this does not include mackerel.

The CHAIRMAN. In Greece do they not catch mackerel and other fish like we have?

Mr. TYSON. They have the oily type of fish there.

The CHAIRMAN. Can they salt that?

Mr. TYSON. Yes; but you cannot hold that without refrigeration.

The CHAIRMAN. You can hold salt mackerel.

Mr. TYSON. For a very short time.

The CHAIRMAN. I was brought up on it. We used to have a barrel of salt mackerel down in the cellar.

Mr. TYSON. But that was in brine and kept at a cool temperature.

The CHAIRMAN. We are going to give Ireland some fish. I do not understand that, because they ought to be able to go out and catch them themselves.

Mr. TYSON. We normally have had a market for some canned fish in Ireland, and this is merely recognizing the previous pattern.

The CHAIRMAN. We ought not to have to finance it.

Italy: In the old days Italy used to be a great country to go out and catch fish. Why they would not go out and catch fish enough to take care of themselves now I do not know.

Mr. TYSON. There again their imports are almost entirely of salt fish from northern waters that they use inland.

The CHAIRMAN. Do they not go up into the northern waters to get fish?

Mr. TYSON. They do to some extent, yes, sir.

The CHAIRMAN. Would they be able to take care of the salt fish supply that way?

Mr. TYSON. There, again, they do not have a sufficient volume of large trawlers to go to the North Sea or the North Atlantic.

The CHAIRMAN. They used to have them.

Mr. TYSON. Yes, they used to, although they have never been entirely self-sufficient in that respect. It has always been a market for Newfoundland and Canadian salt fish, primarily Newfoundland.

The CHAIRMAN. Their imports in 1947 or 1946 were 28,000 and 30,000 tons, and you have them down here for 102,000 tons.

Mr. TYSON. The earlier years were almost entirely from relief financing.

The CHAIRMAN. Relief financed?

Mr. TYSON. Yes, sir.

The CHAIRMAN. And this other fish is to be relief financed or what?

Mr. TYSON. No; it would be mostly their own operations.

The CHAIRMAN. Their own operations?

Mr. TYSON. Yes, sir.

The CHAIRMAN. Next we have the Netherlands. They used to do their own fishing, and now you have them down to import a good deal more than they had prewar, and with a catch pretty nearly double what they had prewar.

Mr. TYSON. I would like to correct that figure on domestic production, because that is not comparable with our revised figure on estimated production.

Mr. STEFAN. That 225,000 ton figure?

Mr. TYSON. The prewar figure was 206,000 tons.

The CHAIRMAN. Prewar was 206,000 tons?

Mr. TYSON. Yes, sir; that is right.

The CHAIRMAN. Instead of 127,000 tons?

Mr. TYSON. That is right.

The CHAIRMAN. Your 225,000 figure is away beyond the consumption there. Why we need importations from ERP money is kind of difficult for the ordinary person to follow.

Mr. TYSON. There, again, it is the type of fish imported from one country that they use, and that the other country does not.

Mr. WIGGLESWORTH. But you indicate for 1948–49, 10,000 metric tons of imports, and 225,000 tons of domestic production.

Mr. TYSON. That is right.

Mr. WIGGLESWORTH. That is a total of 235,000 tons.

Mr. TYSON. Yes, sir.

Mr. WIGGLESWORTH. And 99,000 for consumption.

Mr. TYSON. That is right.

Mr. WIGGLESWORTH. What becomes of all of the rest of it?

Mr. TYSON. It is exported. It goes primarily into Germany and Belgium.

Mr. WIGGLESWORTH. What do they do, salt it or can it?

Mr. TYSON. No; it is handled as fresh and frozen fish. The total imports are primarily from other participating countries.

The CHAIRMAN. It sounds a little bit as if these figures had not been too well considered.

In Norway their production is good and their consumption is set down as 50 percent above prewar.

Mr. TYSON. We have in one figure there included the fish for use for manufacture into meal and oil, and I would like to check it. Their consumption is high. We know that.

The CHAIRMAN. It naturally would be as their production is high, and that is why they probably do not have as much meat in their picture as some of the other countries of a similar type. That is, the per capita would not be quite so high.

Mr. TYSON. They are one of the primary suppliers for other European countries.

The CHAIRMAN. Portugal has an available supply of 210,000 tons and a domestic production of 210,000 tons, away above prewar in each case, and still it is importing 45,000 tons.

Mr. TYSON. There, again, it is salt fish for the southern countries.

The CHAIRMAN. Sweden does not seem to be as much of a fish producing set-up as their Norwegian brothers.

Mr. TYSON. No; they are not.

The CHAIRMAN. That is not in the picture for the ERP, and maybe we do not need to get into that too deeply, but that shows a great big increase in imports, does it not?

Mr. TYSON. No; it is practically the same as the last 2 years and it is less than prewar.

The CHAIRMAN. Yes; there is importation there, but they have to pay for it.

United Kingdom seems to be set up for a little better production and a little better supply than during the last couple of years and bigger than prewar.

Mr. TYSON. Their consumption has gone away up in United Kingdom.

The CHAIRMAN. Has their meat consumption gone down? Their imports have gone up in 1946 and 1947, and you have it stepped up here.

Mr. TYSON. It is about the same as 1946 and 1947.

The CHAIRMAN. Yes; and you have 51,000 tons of ECA financing on it. Does that mean that comes from Canada?

Mr. TYSON. From Canada and the United States.

The CHAIRMAN. And the United States?

Mr. TYSON. That is right.

The CHAIRMAN. Is that salt fish?

Mr. TYSON. No; that is canned fish from the United States.

The CHAIRMAN. And salt fish from Canada?

Mr. TYSON. There might be a little, but it is mostly canned salmon, that type of fish that they do not have available at all.

The CHAIRMAN. Can they not get salmon up in their territory?

Mr. TYSON. No; there is no production of salmon over there, not to amount to anything.

Mr. KINDLEBERGER. There is some sport fishing in Scotland, but not on a commercial scale.

The CHAIRMAN. What about Norway, do they have salmon?

Mr. TYSON. No; there is just a little sport fishing for them.

The CHAIRMAN. In Germany they get fish out of the GARIOA money, I suppose.

Mr. TYSON. Yes; and that is primarily from Norway and England.

The CHAIRMAN. Why do they not go fishing?

Colonel BLUMENFELD. They do some fishing themselves, and they get all of their imports from the other participating countries.

The CHAIRMAN. Their prewar production was two and one-half times as large, and that is one thing we were told that they were going to try to correct in that appropriation for this GARIOA business last year, to get Germany fixed up so she could go fishing. Now, it does not look as though they have done anything about it. It rather looks like we should be expecting something.

Mr. STEFAN. And we gave them some bigger fishing vessels for that purpose.

The CHAIRMAN. Yes; we arranged for that and provided funds for it, and they were supposed to do it. Why have they not doen it?

Colonel BLUMENFELD. I understand there were discussions concerning $5,000,000 worth of fishing ships, but I do not recall whether or not that was actually appropriated. I think it was in the supplement that Mr. Voorhees withdrew.

The CHAIRMAN. No; that was in the GARIOA appropriation, and they were supposed to get fishing boats so that these folks could go fishing.

Colonel BLUMENFELD. I will get a statement on that for the committee.

The CHAIRMAN. It is about time they woke up about it.

Colonel BLUMENFELD. They had a program for $5,000,000 worth of available fishing vessels from New England, and it may be in the bill now.

The CHAIRMAN. No; it is not in the present bill. It was in last year. We ought to be getting action on that, and you do not show a single bit of increased production expected. It seems to me that we are entitled to that.

Mr. WIGGLESWORTH. Have you an availability table in terms of production and exports similar to that which you have had in respect to other commodities?

Mr. KINDLEBERGER. I think there may be fish included in this, but I am not certain.

Mr. TYSON. From the United States only.

Mr. KINDLEBERGER. Yes.

Mr. TYSON. I can give you the United States figures.

The CHAIRMAN. Is that in this [indicating]?

Mr. KINDLEBERGER. No; it is in the supplement to that.

The CHAIRMAN. We have not been furnished with that supplement.

Mr. KINDLEBERGER. The Department of Commerce is going to put that in the record.

Mr. CAWLEY. I have it here, Mr. Chairman.

The CHAIRMAN. You have it?

Mr. CAWLEY. Yes, sir.

The CHAIRMAN. Is there anything more on the agricultural picture?

Mr. CAWLEY. Mr. Chairman, undoubtedly when we get into equipment you will want to discuss timbering equipment, and I have arranged to have a representative from the Department of Agriculture come up with the Commerce witnesses so that you can cover that along with the other items.

Mr. WIGGLESWORTH. All of the other items that we have not covered are Commerce items?

Mr. CAWLEY. Yes, sir.

FRIDAY, APRIL 30, 1948.

FARM MACHINERY

STATEMENTS OF V. LEWIS BASSIE, ASSISTANT TO THE SECRETARY OF COMMERCE; W. L. BECK, CHIEF, INDUSTRIAL MACHINERY SECTION, OFFICE OF DOMESTIC COMMERCE; WILLIAM H. SHAW, SPECIAL ASSISTANT, OFFICE OF THE SECRETARY; E. P. HAWK, DEPUTY DIRECTOR, COMMODITIES DIVISION, OFFICE OF INTERNATIONAL TRADE; ALBERT BRODELL, COMMODITY SPECIALIST, DEPARTMENT OF AGRICULTURE; ARTHUR SUFRIN, CHIEF, FARM MACHINERY SECTION, OFFICE OF DOMESTIC COMMERCE; EVERETT WILCOX, ACTING CHIEF, CONSTRUCTION AND MINING MACHINE SECTION, COMMODITIES DIVISION, OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE; AND DR. M. OGDON, REGIONAL SPECIALIST, OFFICE OF FOREIGN AGRICULTURAL RELATIONS, DEPARTMENT OF AGRICULTURE

The CHAIRMAN. Mr. Bassie, you are in the Commerce Department?

Mr. BASSIE. Yes, sir.

The CHAIRMAN. What is your position?

Mr. BASSIE. I am assistant to the Secretary.

The CHAIRMAN. How long have you been there?

Mr. BASSIE. For about 6 months now. I was deputy in the same office before that time.

The CHAIRMAN. For quite a while?

Mr. BASSIE. For something over a year.

The CHAIRMAN. Mr. Beck, what is your position?

Mr. BECK. I am chief of the Industrial Machinery Section of the Office of Domestic Commerce. I have been in the Department of Commerce since 1942 in the Machinery Division as Assistant Chief up until this time.

The CHAIRMAN. What about you, Mr. Shaw?

Mr. SHAW. I am special assistant in the Office of the Secretary.

The CHAIRMAN. How long have you been there?

Mr. SHAW. I have been in the Office of the Secretary now for about 6 months; I have been in the Department of Commerce for about 5 years.

The CHAIRMAN. And Mr. Hawk?

Mr. HAWK. I am Deputy Director of the Commodities Division of the Office of International Trade. I have been in that position about 3 months and have been in the Department for about 11 years.

PRODUCTION, IMPORTS, TOTAL SUPPLY, DOMESTIC SUPPLY, AND EXPORTS OF NONAGRICULTURAL COMMODITIES

The CHAIRMAN. I think we will take up this table as it has been presented here, and we will put that in the record. It may develop we will want additional information or corrections, and if we do, the table will be put in as corrected rather than as is.

(The table above referred to is as follows:)

United States production, imports, total supply, domestic supply,[1] and exports of non-agricultural commodities estimated April 1948–June 1949, 1947 and prewar

Commodity	Unit	Production	Imports	Total supply	Domestic supply [1]	Total exports		Exports to participating countries (included dependent overseas territories)			Other exports	
						Quantity	Percent of total supply	Quantity	Percent of total supply	Percent of total exports	Quantity	Percent of total supply
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Agricultural machinery:												
April 1948–June 1949	Million of dollars	1,985	50	2,035	1,586	449	22	136	6.7	30.4	312	15.3
1947	do	1,444	35	1,479	1,161	318	21.5	56	3.8	17.5	262	17.7
Prewar	do	458	5	463	390	73	15.9	12	2.6	16.3	61	13.3
Coal:												
April 1948–June 1949	Thousand short tons	845,000	500	845,500	797,500	48,000	5.7	40,000	4.7	83.0	8,000	1.0
1947	do	676,000	405	676,405	629,229	47,176	7.0	41,376	6.1	88.0	5,800	.9
Prewar	do	452,558	1,047	453,605	452,694	911	.2	42	(2)	5.0	869	.2
Coal-mining machinery: Included under machinery, other.												
Petroleum products:												
1948	Millions of barrels	2,075	167	2,242	2,093	149	6.6	35	1.6	23.5	114	5.0
1947	do	1,989	150	2,139	1,975	164	7.7	51	2.4	31.1	113	5.3
1938	do	1,267	54	1,321	1,127	194	14.7	77	5.8	41.4	117	8.9
Steel: Crude, semi finished and finished:												
April 1948–June 1949	Thousand metric tons	76,000	266	76,266	69,387	6,879	9.0	2,517	3.3	36.6	4,362	5.7
1947	do	58,000	10	58,010	52,040	5,970	10.3	1,740	3.0	29.1	4,230	7.3
Prewar	do	32,675	337	33,012	30,221	2,791	8.6	555	1.7	19.7	2,236	6.9
Pig iron: Exports from United States are negligible.												
Scrap iron: Exports from United States are not programed.												
Rich iron ore: Exports from United States are not programed.												
Trucks:												
April 1948–June 1949	Thousand units	1,250	0	1,250	901	349	27.9	49	3.9	14.0	300	24.0
1947	do	1,239	0	1,239	959	280	22.6	45	3.6	16.0	235	18.9
Prewar	do	694	0	694	539	155	22.4	38	5.4	24.2	118	17.0
Freight cars:												
April 1948–June 1949	Units	176,000	0	176,000	150,000	26,000	14.8	20,000	11.4	77.0	6,000	3.4
1947	do	96,428	0	96,428	63,789	32,639	33.8	29,323	30.4	90.0	3,316	3.4
Prewar	do	40,471	0	40,471	39,304	1,167	2.9	10	(2)	1.0	1,157	2.9
Steel equipment: Included under machinery, other.												

See footnotes at end of table, p. 517.

United States production, imports, total supply, domestic supply,[1] and exports of non-agricultural commodities estimated April 1948–June 1949, 1947 and prewar—Continued

Commodity	Unit	Production	Imports	Total supply	Domestic supply [1]	Total exports		Exports to participating countries (included dependent overseas territories)			Other exports	
						Quantity	Percent of total supply	Quantity	Percent of total supply	Percent of total exports	Quantity	Percent of total supply
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Timber equipment: Included under machinery, other.												
Electrical machinery and apparatus:												
April 1948–June 1949	Millions of dollars	6,050	5	6,055	5,578	477	7.9	95	1.6	20.0	382	6.3
1947	do	4,600	4	4,604	4,041	563	12.2	65	1.4	11.5	498	10.8
Prewar	do	1,800	2	1,802	1,695	107	6.0	22	1.2	20.6	85	4.7
Copper:												
April 1948–June 1949	Thousand short tons	1,095.0	500.0	1,595.0	1,485.8	109.2	6.9	80.4	5.0	76.9	28.8	1.9
1947	do	846.4	407.9	1,254.3	1,176.3	78.0	6.2	52.0	4.1	66.7	26.0	2.1
Prewar	do	709.4	289.4	998.8	651.2	347.6	34.8	195.0	19.5	56.1	152.6	15.3
Tin:												
April 1948–June 1949	Long tons	(2)	90,000	90,000	89,450	550	.6	0	0	0	550	.6
1947	do	(2)	64,195	64,195	63,776	419	.6	3.0	(2)	.7	416	.6
Prewar	do	62	69,522	69,584	68,710	874	1.3	(3)	(3)	(3)	(3)	(3)
Lead:												
April 1948–June 1949	Thousand short tons	500.0	275.0	775.0	741.7	33.3	4.3	30.8	4.0	92.5	2.5	.3
1947	do	375.3	211.9	587.2	585.7	1.5	(2)	.2	(2)	13.3	1.3	(2)
Prewar	do	416.2	63.9	480.1	433.3	46.8	9.8	8.6	1.8	3.9	38.0	8.1
Zinc:												
April 1948–June 1949	do	810.0	490.0	1,300.0	1,175.0	125.0	9.6	60.8	4.7	48.7	64.2	4.9
1947	do	624.9	369.0	993.9	887.2	106.7	10.7	80.9	8.1	75.7	25.8	2.6
1937	do	626.4	46.0	672.4	671.8	.6	(2)	.2	(2)	50.0	.3	(2)
Aluminum:												
April 1948–June 1949	do	820.8	168.8	989.6	981.3	8.3	.8	0	0	9.6	8.3	.8
1947	do	571.7	15.6	587.3	575.3	12.0	2.0	6.1	1.0	16.7	5.9	1.0
Prewar	do	151.1	13.6	164.7	153.0	11.7	7.1	8.3	5.0	60.7	3.4	2.1
Wool: Exports from United States are not programed, although some exports may be negotiated.												
Wool yarn: Exports from United States to ERP areas are not programed, although there may be very small commercial exports.												
Woolens and worsteds: Exports from United States to ERP areas are not programed, although there may be very small commercial exports.												

Cotton yarn:												
April 1948–June 1949	Millions of pounds	1,025	0.9	1,025.9	966	119.9	11.7	44.9	4.4	37.4	119.9	7.3
1947	do	825	.7	825.7	733.6	92.1	11.2	29.7	3.6	32.2	62.4	7.6
Prewar	do	544.6	1.6	546.2	536.9	9.3	1.7	1.3	0.2	13.6	8	1.5
Cotton cloth:												
April 1948–June 1949	Million square yards	13,750	43.4	13,793.4	12,127	1,666.4	12.1	291.4	2.1	17.5	1,375	10
1947	do	10,653	15.9	10,668.9	9,198.7	1,470.2	13.8	162	1.5	11.0	1,308.2	12.3
Prewar	do	8,664.4	105.8	8,770.2	8,462.4	307.8	3.5	7.3	.1	2.4	300.5	3.4
Wood pulp:[4]												
April 1948–June 1949	1,000 short tons	15,700	2,875	18,575	18,337	238	1.3	(4)	-------	-------	-------	-------
1947	do	11,952	2,305	14,257	14,127	130	0.9	54	.4	47.5	76	.5
Prewar	do	6,500	2,044	8,544	8,343	201	2.3	55	.6	27.4	146	1.7
Newsprint:[4]												
April 1948–June 1949	do	1,062	5,169	6,231	6,193	38	0.6	(4)	-------	-------	-------	-------
1947	do	816	3,958	4,774	4,746	28	0.6	3	.1	10.7	25	.5
Prewar	do	921	2,736	3,657	3,645	12	0.3	(2)	(2)	-------	12	.3
Rubber:												
April 1948–June 1949	1,000 metric tons	530.0	750	1,280.0	1,269.2	10.8	.8	7.0	.5	64.8	3.8	.3
1947	do	516.9	724	1,240.9	1,221.9	16	1.3	8.7	.7	54.3	7.3	.6
Prewar	do	0	512.2	512.2	503.1	9.1	1.8	1.3	.3	14.3	7.8	1.5
Hides and skins:												
April 1948–June 1949	Millions of pounds	1,656	215	1,871	1,798.6	72.4	3.9	51.6	2.8	71.3	20.8	1.1
1947	do	1,475	169	1,645	1,568.7	76.3	4.6	45.7	2.7	60	30.6	1.9
Prewar	do	1,033	272	1,305	1,264.8	40.2	3.1	6.8	.5	16.9	33.4	2.6
Leather:												
April 1948–June 1949	Millions of dollars	496.8	18	514.8	482.9	31.9	6.1	11	2.1	34.6	20.9	4
1947	do	443.6	14.4	458	424.6	33.4	7.2	14.4	3.1	43.1	19	4.1
Prewar	do	373.8	5.1	378.9	364.8	14.1	3.8	5.1	1.4	36.1	9	2.4
Fish for human food only:												
Fiscal 1948–49	1,000 metric tons	1,540	185	1,725	1,630	95	5	46	3	48	49	2
1947	do	1,540	185	1,725	1,630	95	5	49	3	52	46	2
Prewar	do	1,257	155	1,412	1,358	54	4	29	2	54	25	2
Chemicals:												
April 1948–June 1949	Millions of dollars	8,474	240	8,714	7,889	825	9.4	230	2.6	27.9	595	6.8
1947	do	7,179	205	7,384	6,583	801	10.8	261	3.5	32.6	540	7.3
Prewar	do	2,689	81	2,776	2,632	144	5.3	51	1.9	35.2	93	3.4
Petroleum equipment: Included under machinery, other machinery, other:[5]												
April 1948–June 1949	do	16,360	19.4	16,379.4	14,101.8	2,277.6	13.9	937.6	5.7	41.2	1,340	8.2
1947	do	13,086	15.6	13,101.6	11,764.7	1,336.9	10.2	264.2	2	19.8	1,072.7	8.2
Prewar	do	3,078.5	10.6	3,089.1	2,823.9	265.2	8.6	70.3	2.3	26.5	194.9	6.3

[1] Domestic supply is defined as production plus imports minus exports. Available data on stock changes and domestic requirements for individual commodities will be presented in testimony. For many of these categories, such data are not available.

Periods: April 1948 through June 1949 (15 months). 1947: Calendar year. Prewar, 3-year average, 1937–39, except as noted: Coal, 1935–38; chemicals, average of 1937 and 1939 for production and total supply; fish, 1935–39 average, total supply is production plus imports.

Source: Executive Branch, Industry Reports International Organizations.

[2] Negligible.

[3] Not available.

[4] Exports from United States to ERP areas are not programed although there may be very small commercial exports. Imports for these commodities are significant.

[5] Includes coal-mining machinery, steel equipment, timber equipment, petroleum equipment, and machinery n. e. s. Data for these categories are not available separately.

BREAK-DOWN OF AGRICULTURAL MACHINERY REQUIREMENTS

The CHAIRMAN. I will start off with one request for a correction. This agricultural machinery proposition is broken down between tractors and other agricultural machinery in other places. Why is not that done here so that we can see where we are? I am wondering why that approach was not made.

Mr. BECK. Up until very recently, we have handled this matter——

The CHAIRMAN. This ECA program is set up with those items separate, and we will have to have them separate in this table. This is almost the most crucial item in the whole set-up.

Do you have any break-down of it here so that we can see the picture that way? If you have not, I am terribly disappointed, because it is going to take us a lot of time. I do not see why the Department does not do the obvious things like that. That is why the hearings take so long. I do not understand that.

Mr. NITZE. I think what Mr. Beck was about to refer to is the fact that the figures, up until very recently, were in terms of agricultural machinery alone, and it was only a week or so ago when you requested physical quantities that it was broken down between tractors and other agricultural machinery. In the brown books, I think the figures are only for agricultural machinery as a whole.

The CHAIRMAN. Maybe that is so, but it is so obvious that we would want that, I think you would have had it prepared.

Mr. BECK. We have a considerable amount of data that we have prepared by our committee in an attempt to give you the type of information you want. I would want, however, to qualify it by saying that a great deal of the judgment factor enters into these pictures, because originally the original Paris Conference report figures were quite obviously hastily put together, and there are a number of cases where there were very obvious mistakes made in them. When we arrived at an over-all figure, about a week ago, we attempted to break that down using our committee's best judgment, based upon previous export statistics, as to the tractors that had been exported from the United States and the other farm machinery that had been exported from the United States, and we feel we have put together a pretty fair piece of work on that. But we have to admit that without a lot of good judgment on the part of our coworkers in the Department of Agriculture and our committee we would not have been able to do so.

We could offer that, then, as our best judgment of how that will work out.

The CHAIRMAN. I do not like to appropriate money on best judgment; I like to have the figures in front of me.

Mr. BECK. We are prepared to give you, for example, a sheet here showing the total exports of farm machinery, including all tractors from the United States, broken down by participating countries, and this, of course, is the basis on which our work has been done. There are no worth-while statistics emanating out of Europe as to their own production over there in these past years. For that reason, as I say, we have to go by experience of this country and by what we know of where these countries traditionally have received their machinery.

The CHAIRMAN. Do you have a break-down of that picture that you could present to us?

Mr. BECK. Yes, sir [submitting].

The CHAIRMAN. This does not separate it into tractors and other items.

Mr. BECK. Yes. In the middle column you will notice the percentage, 1939, imports from the United States, tractors, tractor parts, and other machinery.

The CHAIRMAN. But this does not give us the picture. I think we can use this table to a certain extent, but I would like to have a table prepared that would show tractors separate from the agricultural machinery, for the things you show in this table here.

Mr. BRODELL. We have a table that shows the kinds of tractors that they have gotten in 1939, 1946, and 1947, and the estimate of the number of tractors they will get in 1948–49 by countries, and the machinery and equipment they will get from Canada. But we do not know to what extent Canada will supply tractors or other machinery.

The CHAIRMAN. Do you have any table that shows the production of tractors in the United States prewar and current, by numbers?

Mr. BRODELL. We have not submitted that, but we can supply that figure. Last year we produced in the United States 457,000 crawler and wheel-type tractors. In addition to that, we produced 166,000 garden tractors, and I think the average prewar had been around 200,000 tractors. There was only one of the prewar years when we produced as much as 250,000.

Mr. MAHON. I do not want to interrupt the chairman's chain of thought, but I would like to have a little statement at some place—here, if that is proper—stating generally the kinds of tractors that are to be exported.

As you know, there are many kinds of tractors. We have what we call four-row tractors down in the Southwest, and we have smaller tractors. In a general way, I would like to know the kinds of tractors. Can you give us a statement that will show that?

Mr. BRODELL. The only thing we have now is for 1939, 1946, and 1947. This shows the actual export of tractors to those countries by type. That is the number of crawlers, the number of wheel tractors, and the number of garden tractors they got by countries.

Mr. MAHON. Can you differentiate between the large-type tractor we use on the western farms and the small type of tractor that we use on the hills of Virginia?

Mr. BRODELL. We can only do that from Commerce exports in 1947. We know, according to the CEEC report, that they wanted large size wheel tractors and crawlers, but the material that comes from the needy countries indicates they want a lot of the small-type and medium-size wheel tractors. Last year, I think they imported something like 2,000 garden tractors and around 18,000 wheel tractors and 2,000 to 3,000 crawlers. That is what the CEEC countries got.

Mr. MAHON. Will the information you are going to furnish us show the tractors exported under ECA for the whole picture and for all purposes?

Mr. BRODELL. It will show the total number of tractors that will likely be exported for all purposes, and show a break-down by types for 1947.

Mr. MAHON. And somewhere you have the total of all those that are being sent under the ECA program?

Mr. BRODELL. The total tractors, but not broken down by types.

Mr. MAHON. It is not necessary to break them down by types.

Mr. BRODELL. We have that figure right now; we have a table here that will show that.

Mr. MAHON. We export tractors regardless of the ECA program.

Mr. BRODELL. That is right. I think we have a table, and I believe Mr. Beck or Mr. Cooper had a copy, which shows the types of tractors exported.

Mr. MAHON. But merely to show it is a wheel tractor, it could be a tiny thing or a big thing.

Mr. BRODELL. You have to go the detailed Commerce reports to get the size of the wheel tractors.

Mr. MAHON. But you are bound to know, generally speaking, what the types are.

Mr. BRODELL. Maybe this table would be helpful [submitting].

QUESTION AS TO NORMAL EXPORT OF AGRICULTURAL MACHINERY

Mr. CANNON. Somewhere there is a differentiation between the amount of machinery and the character of machinery which you normally export and which you would export even if there were no ECA program.

Mr. BRODELL. That is right.

Mr. CANNON. And you show us here the amount which this particular program carries, in addition to the normal exportation?

Mr. BRODELL. We have made that sort of assumption, but we cannot be too sure about that. We assume they would spend about the same percentage of their money in 1948–49 for tractors and for other machinery as they did in 1947.

Mr. MAHON. Do you know what the foreign countries would probably do by way of purchasing our tractors if there was no ECA and we had no export control? The point I am getting at is, if we just turned them loose, would they buy a large number of our tractors, maybe more than we would be willing to sell them?

Mr. BRODELL. The answer is "Yes." We have talked to representatives of the industry, and they tell me that in 1947 they were allocating only about 50 percent to Europe of the number they wanted to buy. And that included no orders whatsoever from Germany, Austria, Italy, or Greece. In other words, they had actual orders for $90,000,000 for 1947, and they tell me now they have orders around $200,000,000 for the 1949–50 program.

Mr. MAHON. Are there people here qualified to testify, Mr. Chairman, as to the feasibility of our nation's sending abroad these tractors, as to whether or not we can afford to spare them from American agriculture? We have had testimony on that from various sources, and is there anybody here who can give us anything additional? In my opinion, American agriculture wants every tractor produced by American industry and, not only that, but wants more than they can get even if none were exported. If they have any further comment on that, it will be worth while.

The CHAIRMAN. I do not know whether they are competent to do it or not. I am started in on a lot of things, and they did not have the information that we would naturally expect them to have. I do not know whether there are or not, and frankly I do not think anybody can tell until we ask the questions.

PRODUCTION, IMPORTS, TOTAL SUPPLY, AND EXPORTS OF AGRICULTURAL MACHINERY ADJUSTED TO JULY 1947 FACTORY PRICES

Mr. BECK. We have attempted to make up a table which would indicate a simplified picture of that by taking production, imports, and total supply. It takes the 1935–39 average and then the 1946 and 1947 and the 1948–49 fiscal year, and we translate all of those figures into 1947 prices so as to make them on a uniform basis, because of price differences that have taken place during that time.

(The table referred to is as follows:)

United States production, imports, total supply and exports of agricultural machinery adjusted to July 1947 factory prices

Year of period	Total, United States production	Imports	Total supply	Exports [1]				Available for United States
				Total all countries		Total ECA countries		
				Amount	Percent of supply	Amount	Percent of supply	
	Mil. dols.	*Mil. dols.*	*Mil. dols.*	*Mil. dols.*		*Mil. dols.*		*Mil. dols.*
1948–49 [2]	1,588.0	37.4	1,625.4	351.3	21.6	124.0	7.6	1,274.1
1947 [3]	1,443.6	31.9	1,475.5	288.8	19.6	[4] 56.5	3.8	1,186.7
1946 [3]	1,096.5	17.8	1,114.3	163.3	14.7	[4] 32.1	2.9	951.0
1935–39 average	526.1	4.0	530.0	63.3	11.9	[4] 13.7	2.6	466.7

[1] Exports are reported on F. A. S. basis and hence have been reduced by 10 percent to adjust to factory prices.
[2] Fiscal year—based on estimated 10 percent increase in production over 1947 and 15 percent increase in imports.
[3] Calendar year.
[4] Estimated.

According to that table there would be available for United States farmers in 1948–49 fiscal year $1,247,100,000 worth of farm machinery and tractors. That compares with $1,186,700,000 last year, in 1947, and only $951,000,000 in 1946.

Mr. CANNON. In other words, production increased at such a rapid rate that even with the exportation provided by this program, there would still be left a greater supply than the American farmers have ever had in any previous year?

Mr. BECK. That is true. That is another point.

DISCUSSION OF REQUIREMENTS FOR AND AVAILABLE SUPPLY OF FARM MACHINERY FOR UNITED STATES FARMERS

Mr. MAHON. That still does not mean the American farmer will get all of the tractors he wants.

Mr. BECK. The Amreican farmer has approximately 40 percent more farm machinery than he had before the war, and naturally he is enjoying an exceptionally good income and believes machinery is a good investment, and he is going to put that money into machinery to a large extent, so that our market here will continue to absorb a lot of machinery. But there is some question as to whether his getting all of it would produce more food, or whether he would just retire some of his older equipment and have a new model, like they do with the automobile.

Mr. MAHON. But you will admit the American farmer would buy more machinery if it was available?

Mr. BECK. Machinery is a good investment, and he would buy it.

Mr. MAHON. But he would buy more than he will be able to get in 1948 and 1949. I know that, if you do not, but I wonder if you folks understand that.

Mr. BECK. We understand that perfectly. On the other hand, the backlog of demand that accumulated during the war has been whittled down very rapidly, and our farm equipment manufacturers are beginning to see a period not too long distant when, if they have not cultivated and do not have an export market, they are going to have a lot of capacity that the American farmer cannot absorb.

Mr. MAHON. I can understand that. And you think the manufacturers are in favor of some exportation of tractors in order that they may keep those markets?

Mr. BECK. Naturally. These men have developed those export markets over generations of time, and they have their obligations to those people who have carried the ball for American farm machinery abroad, not only in Europe but in South America, Africa, and the rest of these countries. They have their obligations, and they prorate so much of their production to those people on the same basis that they do to America. That is just as much an established demand and just as much an obligation for them to operate under as it is to the dealers in this country, many of whom may be much more recent on their books than some of the foreigners.

Mr. MAHON. Do not misunderstand me. I am not saying we should not export tractors. I think we should export tractors, but I think we had just as well face the fact that a lot of farmers are going to be unhappy because they will say "I cannot get what I want; yet they are exporting some of this stuff abroad." And if it is explained to the American farmers, I think they will be willing to do anything within the bounds of reason; they always have been.

Mr. BECK. It makes the manufacturer unhappy, too, because he is criticized when he ships something for export and he has to explain why. And some of our prominent manufacturers in open committee meeting with the Commerce Department made the statement they wished some newcomers in this business would step in and take part of it, because if they had to supply the entire ECA demand for this stuff, it would make them very unpopular with their domestic dealers.

The CHAIRMAN. Now, you have this picture: you cannot tell anything about these tables that have been submitted to us in dollars, because prices have changed so that, while it shows an increase and a larger amount in dollars going to the American farmer, and perhaps the number going to the American farmer—and I can very readily see it might be so—it is not upping it at all. And that is why I wanted those tables that would show something.

Mr. BECK. This tremendous increase in 1947 over 1946 was about one-third actual increase in physical volume, but the dollar volume went up by one-half. About 13 to 15 percent was accounted for by the increase in prices, but more machinery was actually manufactured and increased the output.

Mr. BASSIE. May I say this last table is in deflated dollars. That is an estimate, roughly, of the physical volume, and since the estimate is that these people would continue to take tractors in relatively the

same proportion as other equipment, it indicates, in a general way, the movement of both.

I think, perhaps, Mr. Northrup of the Agriculture Department could give you a statement of their position on this question.

The CHAIRMAN. My idea was to get the facts, and you do not seem to have brought them up with you, and that is the thing that bothers me. I do not like to do it twice; that is, I do not like to get the conclusions of the Department and then get the facts out in front of me, because it means doing the job twice. I mean I will have to ask those questions after we develop the facts, if I get the conclusions now.

Mr. NORTHRUP. I think the table Mr. Beck has given to you from our standpoint is an accurate reflection of a change in availabilities for the American farmer prewar, in the last 2 years, and the forecast for 1948–49. And since the dollars in the last column are merely an index of the physical quantity and they are comparable dollars for each of those time periods, it is an accurate reflection.

The CHAIRMAN. These figures are not actual, then, but they are adjusted items?

Mr. NORTHRUP. Yes.

The CHAIRMAN. That is, they are not dollars, but are adjusted items?

Mr. NORTHRUP. They are adjusted dollars so that they actually reflect the quantities.

The CHAIRMAN. Are they that way all the way through?

Mr. NORTHRUP. Yes, sir.

The CHAIRMAN. You mean for every year?

Mr. NORTHRUP. Yes, sir.

The CHAIRMAN. Then none of those figures are accurate, on that basis.

Mr. BECK. They have attempted to show a picture that would be comparable for those years, and they took out the influence of the price factor you just mentioned of increased prices.

The CHAIRMAN. That makes it more involved and makes the work we will have to do a little harder instead of easier.

Mr. BECK. It gets our percentages accurate.

The CHAIRMAN. I do not know whether it does or not; but I do know this, that it does not give us a picture of what the situation is.

Mr. NORTHRUP. May I add one thing more? I want to share some responsibility for requesting the Department of Commerce, together with some of our people in the Department of Agriculture, to prepare the table just this way. It has been my feeling, based on discussing these things with you in the past few days, that you wanted to have a showing on a comparable basis of the availabilities of machinery, and that is the reason I share the responsibility with Commerce for converting these dollars to a comparable basis, so that they are a fair measure, a fair index, of quantity.

You are quite correct that, in terms of actual dollars of exports or anything else, you would have to go back to the actual figures based upon prices.

Mr. WIGGLESWORTH. What you have really done is what you said you were going to do last night; you have subtracted the exports from the total supply and called that the domestic needs, have you not?

Mr. BECK. The domestic availabilities.

Mr. WIGGLESWORTH. We talked about this table either off or on the record last night, when you had no column for domestic needs at all, and what you have done is simply to subtract the exports from the production and called that the needs of this country in each case, is it not?

Mr. BECK. Sir, I do not know how else you could get the measure of domestic need. This is the domestic supply——

Mr. WIGGLESWORTH. Do you mean to say there is nobody in the Government who can estimate the minimum needs of this country in terms of steel or in terms of rubber or in terms of leather or other things that we are called upon to make available?

Mr. BECK. In terms of farm machinery, your need is set by the price of farm products, the spending money that the farmer has in his pocket.

Mr. BASSIE. It is not quite correct to say domestic requirements were obtained by subtracting exports. What we did was make a division of the total between exports and domestic needs. We did that on the basis of what we could afford to give as well as what they asked for.

Mr. NORTHRUP. If I may comment on your question, Mr. Wigglesworth, the Department of Agriculture has joined with the Department of Commerce in taking as good a look as we could at the domestic requirements, and the situation there, as far as the statistics are concerned, is that there are the same factors in farm machinery as was described to this committee yesterday and the day before by Mr. Finn in connection with nitrogen fertilizer.

The facts are about like this: The American farmer, as everybody well knows and as we are surely well aware of in the Department of Agriculture, would like to purchase today, probably as much or more than the American manufacturers can manufacture. They are manufacturing up to the limit of their capacity from the standpoint of the down-to-earth requirements—much more.

Mr. STEFAN. Commerce has frequently told us that on the farm machinery item the need is in excess of the available supply.

Mr. NORTHRUP. It is just like the nitrogen picture. So it is impossible to measure statistically, as we told you in the case of nitrogen. Therefore, you have to approach the problem of the domestic requirements from the standpoint of the availability of farm machinery as a whole, as made available by American manufacturers to American farmers, and set that availability against the record which the American farmers are making in farm production. And we felt in the Department of Agriculture we needed to appraise this for the Congress in these terms, and this is the official position of the Department before the House Committee on Agriculture at a hearing about 2 months ago——

Mr. WIGGLESWORTH. On the agricultural machinery, is there any estimate in terms of domestic need?

Mr. NORTHRUP. That is impossible to measure.

Mr. WIGGLESWORTH. Well, you have given it to us in other commodities; you have given it to us for potash and phosphates and nitrogen.

Mr. NORTHRUP. That is right. You have the nitrogen on an estimated basis.

Mr. WIGGLESWORTH. Does not the Department have an estimate of the over-all needs for agricultural machinery in this country?

Mr. NORTHRUP. There is no way to measure that statistically, Mr. Wigglesworth. We would like to be able to do so, but, to be frank with you, we cannot do it.

BASIS OF ESTIMATE OF EXPORT REQUIREMENTS FOR FARM MACHINERY UNDER PROGRAM

Mr. STEFAN. How did they come to the conclusion, then, if we launched upon this ECA program, that in the first year the demand for farm machinery under the program means we will have to export annually one-quarter of our production? How do they get those figures?

Mr. NORTHRUP. Our judgment is based upon an analysis of the availabilities, and we arrive at these conclusions.

If you will go back for a few years to the time when we were stepping up food production during the war in this country by 30 to 35 percent and compare the time when they got that increase with the amount of farm machinery then estimated to be on American farms, we now know that we got that increase with a lot less machinery on American farms than was available at that time to the farmers.

Since that time we have had at least three full production years of increased amounts going to farmers as disclosed in these figures that Mr. Beck has given you. Therefore I think in all fairness we have to conclude that even though the American farmer is ready, willing, and able to increase his purchases of farm machinery, the rate of exports projected here, we cannot in all honesty and fairness say, will jeopardize the maintenance of our present level of food production.

Mr. WIGGLESWORTH. How do you know? How do you arrive at that conclusion? You do not have any figures or facts to base it on, do you?

Mr. NORTHRUP. Yes, we do.

Mr. WIGGLESWORTH. You are not giving them to us.

Mr. NORTHRUP. I was trying to; maybe I did not make myself clear.

The CHAIRMAN. I thought that we ought to get the facts first before we get your conclusions.

Mr. STEFAN. Certainly you must have had some facts to come to the conslusion that you did, when you presented this official statement to the effect that you were setting up new sections in the Industry Division of the Department of Commerce to cover iron and steel; farm machinery and equipment; transportation equipment; petroleum, gas and oil equipment; miscellaneous industrial equipment; nonferrous metals, and to expand the existing sections on textiles and leather; forest products; foods, fats, and oils; chemicals and drugs; and general products. This you were doing in the Department of Commerce in order to set up in a satisfactory way the export control licensing division. And only a few weeks ago, they told us officially that as to farm machinery, we would have to export 25 percent of all of our farm machinery annually, if we went into this ECA program. Now that estimate has been changed to 8 percent. And you said in your justifications on farm machinery, when we were discussing the matter of export license control:

In view of the urgency of the farm machinery program it is anticipated that voluntary industry agreements will be sought at the earliest moment to schedule production and provide for adequent component parts.

I do not know what you mean by adequent component parts, because out in the field, in my section of the country, they do not have adquate component parts. You also said in that justification that the—

Demand for Diesel powered crawler tractors will be especially heavy, and it is greater than the industry can meet unless production can be greatly increased or the supply of United States farmers drastically curtailed.

You did not confine your statement to farm machinery, but you touched on petroleum and steel, and other things and you even told us that if these voluntary agreements were not carried through, the President would have to suggest some legislation for compulsory controls, which he actually has already done.

Now you have scaled that estimate of 25 percent of exports down to 8 percent.

Mr. BECK. We have not changed that a bit, sir.

Mr. STEFAN. I was told by Mr. Cawley and others that that estimate has been changed.

The CHAIRMAN. I would suggest to the gentleman that he read the statement that was made in their justifications on the subject of farm machinery. Read that for Mr. Beck's benefit.

Mr. STEFAN. This is the statement:

Farm machinery: Requirements for farm machinery at home are currently in excess of the industry's ability to supply. Shortage of materials and components such as sheet steel, power transmission chain, bearings, wheels, radiators, and Diesel engines are causing considerable loss in production. Domestic shortages will be intensified by demands for farm machinery under the European recovery program. In its first year of operation, the European recovery program will demand nearly one-fourth of our production annually.

And so forth.

The CHAIRMAN. You told us at that time that the ECA program would take 25 percent.

Mr. BECK. That is, if we gave them what they asked for. That is the whole point of it.

The CHAIRMAN. That is not what it says.

Mr. BECK. They asked for $353,000,000 worth of stuff the first year of the program, which is one-fourth of our 1947 estimated production, or was at that time.

Mr. STEFAN. This statement is definite. It says here definitely that:

In its first year of operation the European recovery program will demand nearly one-fourth of our production annually.

Mr. BECK. They will not get it.

Mr. STEFAN. Then you come and tell us that the farmers will have to curtail their demands on a voluntary basis or otherwise there will have to be some controls put into effect. As a result of the competition for farm machinery, the black markets have spread all over the United States by 1,000 percent. You cannot buy a combine, or a thresher, unless you pay the black-market price for it. The legitimate dealer is sitting out in front of his place of business and he can see these farmers going down into the black market to pay exorbitant prices for combines and threshers and everything else of that type.

He cannot understand how the United States can afford to export farm machinery when it does not have any farm machinery to supply the legitimate dealer in farm machinery today. They must be given some explanation out there in the field for that, because they cannot buy any of it.

Let me ask you this question: What division of the Department of Commerce is going to buy this farm machinery?

Mr. BECK. We are not going to buy it. It is not going to be Government procurement.

Mr. STEFAN. Who is going to buy it?

Mr. BECK. The man at the other end who can pay francs or lira or pounds sterling.

Mr. STEFAN. Who is going to buy it in the United States?

Mr. BECK. It will be purchased through the regular commercial channels.

Mr. STEFAN. Can you tell us how many threshers there are in this program; how many plows, how many mowers? Are you buying any combines or any gang plows? Can we not get any of those details?

Mr. BECK. All of those requests would have to be screened by the Administrator.

Mr. STEFAN. Who has that information, the ECA?

Mr. BASSIE. In course of time, as they go into operation, the people who will need the materials will have to put in their requisitions.

Mr. STEFAN. I want to help on this matter, but I should like to be able to talk intelligently when these people ask me questions about the program. I want to be able to tell them when they ask me, "How many plows are you going to send over there, how many discs, and so forth?"

Mr. WIGGLESWORTH. Eventually it all comes back to the Department of Commerce under export control. Now, how are you going to exercise that control properly if you have no idea of the domestic needs of this country?

Mr. BECK. We have the experience of the farm-machinery people who have been shipping this stuff and who know what the needs are and who have worked with us very carefully in helping us screen this whole program.

Mr. WIGGLESWORTH. Is that reliable information?

Mr. BECK. It comes off their books.

Mr. WIGGLESWORTH. Then why not give us some of that information in the form of a table instead of saying that you have no idea what the needs are? You could not operate could you if you did not have some estimate of what the domestic needs are?

DISCUSSION OF RATIO OF FARM MACHINERY REQUIREMENTS OF ECA TO AVAILABILITY

Mr. STEFAN. When they submitted this estimate of the demands of the ECA program being one-fourth of our production annually, they must have had something to go by.

Mr. BECK. That was a round dollar figure.

Mr. CANNON. Do you anticipate, or is there any plan or any probability that you are going to take 25 percent of our production and ship it abroad?

Mr. BECK. No, sir; it will be less than 8 percent.

Mr. STEFAN. That is what I was talking about, that 8-percent figure, and I showed you where you had submitted official figures of 25 percent and then I asked if you had scaled that estimate of 25 percent down to 8 percent. Now, what is the figure?

Mr. CANNON. May I ask the gentleman whether the document from which he is reading is the original statement or a copy?

Mr. STEFAN. These are justifications that were submitted to the committee by the Department of Commerce in connection with their supplemental estimate of appropriations for the fiscal year 1948 on voluntary agreements and export control programs.

Mr. CANNON. Then that comes directly from the Department. Let me ask you how you reconcile the statement to which Mr. Stefan refers with the statement that you have just made? Is it 25 or 8 percent?

Mr. STEFAN. Let me say that I am glad that they have scaled that estimate down to 8 percent.

Mr. CANNON. Did you ever have any intention of shipping them 25 percent?

Mr. BECK. Never. That is more than the whole world will get. The whole world will only get 20 percent.

Mr. WIGGLESWORTH. The statement you gave us here says 22 percent.

Mr. CANNON. Then this estimate was merely an estimate of demands and did not reflect your intention to comply with those demands?

Mr. BECK. Certainly not.

The CHAIRMAN. Here is the real picture. You were up here with your justifications, and, in order to obtain as large an appropriation as possible for your export control activities, you submitted a figure of 25 percent when Mr. Calvin Hoover, the economist who was employed by ECA, tells us that they had already cut that figure down to 8 percent. That is what bothers me in this presentation. It seems to depend altogether on which horn of the dilemma the Commerce Department is on. It is something that bothers me very much and I should think that it would bother the Commerce Department.

Mr. BECK. The European demand is there, but we will not supply it. It has to be screened.

Mr. WIGGLESWORTH. That does not answer the question that we are raising here now.

Mr. BECK. Out of the 25-percent demand we expect to ship 7.5 percent. But the whole thing will have to be screened.

Mr. WIGGLESWORTH. That does not answer the question that has been raised here.

Mr. BASSIE. That figure is a demand figure. It was their total demand computed as a percentage of the production in this country, not of the demand in this country. Our demand alone is larger than production. You have to make a distinction between demands and actual requirements; and on review of this program the demand figure was scaled down to about one-third.

Mr. CANNON. The factors ought to be listed in this way: First, the demand; second, the requirements, and third, your intention to supply the demand. The third figure is what we are interested in; that is, what you expect to send them. We are not so much interested in demand nor in the requirements. We are interested in what you expect actually to send them.

Mr. STEFAN. Why can you not put a statement in the record of what you are going to send them; that is, what the ECA is going to send them. You are now suggesting 8 percent instead of 25 percent, and then you say that the over-all figure is around 22 percent according to your chart; is that correct?

Mr. BECK. There should be a correction on that 22-percent figure.

Mr. STEFAN. Now the 22-percent figure is wrong. What do you want to make it now?

Mr. BECK. In figuring the 22 percent, we are taking this 136.3 million dollars, which is actually an FAS figure and we are matching that up with the production figures, which are FOB. If you take the 136.3 million dollars on an FOB basis, then it is about 21.6 percent.

Mr. WIGGLESWORTH. Then why do you give us 22 percent in this table? Why do you give us different figures?

Mr. BECK. Those are the actual export figures. Exports are figured on an FAS basis.

Mr. WIGGLESWORTH. Which are the actual export figures, the 25 percent, the 22 percent or the 21 percent?

Mr. BECK. I believe the 22 percent is the actual export figure.

Mr. STEFAN. Now we have got to change that figure again.

NEED FOR BREAK-DOWN OF FARM MACHINERY DATA

Mr. STEFAN. If the Department of Commerce and the Department of Agriculture have gone through the order books of the manufacturers and the dealers, then I should like our record to show at this point these details: The kind of machinery and the prices that are being paid for that machinery, and where the machinery is going. I think you can get that, can you not?

Mr. BASSIE. I think we can give you some break-downs.

Mr. STEFAN. I would like to know if they are tractors, whether they are large tractors or small tractors; whether they are gang plows or walking plows, regular mowers, or whatever they are. We ought to have that information. It is the only way we will be able to answer questions of Members on the floor of the House as to what we are shipping over there, and what prices are being paid for this machinery and an effort should be made to compare black-market prices with regular prices, if the farmer ever does happen to get a priority so he can buy from a regular, legitimate dealer. We must have that picture.

Mr. BECK. Our export statistics have a lot of break-downs and would cover pretty nearly 60 items, to show what was exported each year by number and by FAS value.

INABILITY OF DEPARTMENT TO FURNISH ESTIMATES OF MINIMUM DOMESTIC REQUIREMENTS FOR FARM MACHINERY

Mr. WIGGLESWORTH. Do you want to leave it on the record that the Department of Commerce is incapable of making any estimate of the minimum needs of this country for agricultural machinery?

Mr. BECK. Sir, up until about a month or so ago the farm-equipment division, due to the staff limitations that we have had in Commerce was one man, one-half time.

Mr. WIGGLESWORTH. Then the answer to the question is, yes; that you are incapable of making that estimate?

Mr. BECK. No, sir; we are not incapable of doing that. We have not had the staff to do it.

Mr. WIGGLESWORTH. You have no estimate at this time in the Department of Commerce of that minimum need?

Mr. BECK. It is unobtainable, it does not exist. It depends upon the price of your product and the amount of spending money that the farmer has, and what he decides to buy.

Mr. WIGGLESWORTH. That figure cannot be obtained by the Department of Commerce as at present organized?

Mr. BECK. You have the fact here that the American farmer is producing at a rate which indicates that he has enough equipment, that there is not any land lying idle, or at least there is no abnormal amount of land that is idle, that is not being farmed. That would mean that the demand is being filled.

Mr. BASSIE. I think the answer to your question is that the need for the equipment is in relation to what it is going to be used for——

Mr. WIGGLESWORTH. That is no answer to my question. I asked you the specific question, yes or no, whether you wanted to leave it on the record that the Department of Commerce was incapable of forming an estimate of the minimum needs of this country in terms of agricultural machinery. What is your answer to that question; is it yes or no?

Mr. BASSIE. I do not think there is any definite answer to that question——

Mr. WIGGLESWORTH. You either can make the estimate or you cannot.

Mr. BASSIE. You cannot answer it yes or no, but various kinds of answers can be given. The Department of Agriculture has made surveys from time to time of what the effects would be of not having additional equipment. Mr. Northrup, do you have the results of that?

Mr. NORTHRUP. I will be glad to put a statement in the record at this point, Mr. Chairman, if you wish, on the minimum needs of American agriculture.

Mr. WIGGLESWORTH. I do not want a statement; I want a figure.

Mr. NORTHRUP. We believe this is a pretty good figure. The table the chairman has in front of him shows for 1948–49 an amount of machinery measured by dollars of $1,274,100,000 available for United States farmers.

Mr. WIGGLESWORTH. These two tables do not jibe.

The CHAIRMAN. These are juggled figures, that is what the trouble is.

Mr. NORTHRUP. As I explained before, they were adjusted so as to be correct index of quantity. This would represent the quantity of machinery all over, sufficient to meet the minimum needs of American agriculture to maintain the present rate of food production.

Mr. WIGGLESWORTH. And what are those needs?

Mr. NORTHRUP. I will repeat what I have said, that is about as far as I can go.

Mr. WIGGLESWORTH. You said sufficient to meet the minimum needs; I want to know what are those minimum needs.

Mr. NORTHRUP. The needs necessary to maintain the present rate of food production.

Mr. WIGGLESWORTH. What are those minimum needs?

Mr. NORTHRUP. This quantity.

Mr. WIGGLESWORTH. You have some exports in here, do you not?

The CHAIRMAN. Just a moment; these figures represent the dollar price as of what year? Is it the same dollar value?

Mr. BECK. The same dollar basis, on the basis of July 1947 prices.

The CHAIRMAN. They are on the basis of July 1947 prices?

Mr. BECK. That is right.

Mr. BASSIE. That is shown in the heading on the table, Mr. Chairman, the second line of the heading.

The CHAIRMAN. I want to go into this tractor picture now, so that we may have that all by itself.

Mr. STEFAN. Mr. Chairman, are you going into the details now?

The CHAIRMAN. That is the only way I can get the facts.

Mr. WIGGLESWORTH. Mr. Chairman, I cannot understand how the Department of Commerce can make any such presentation before a committee of Congress. I do not see how it can function properly unless it has the information that we have requested, and which apparently it is unable to supply.

Mr. STEFAN. Mr. Chairman, may I finish my questioning on the matter of the purchase of farm machinery and the distribution of it, before we take up these details?

The CHAIRMAN. Yes.

Mr. STEFAN. Tell me this: I asked you to put in the record the kind of machinery that is going over there, and the approximate price that is going to be paid for it.

PROCEDURE FOR PROCUREMENT AND EXPORT CONTROL OF FARM MACHINERY UNDER PROGRAM

Now, as I understand the program, we are to supply a certain amount of money to each of the participating countries for the purchase of farm machinery, is that correct?

Mr. BASSIE. Yes, sir.

Mr. STEFAN. The representatives of our farm machinery manufacturers, such as International Harvester and others, may be in these various countries, or there may be representatives of those countries who may come over to this country and purchase farm machinery, is that right?

Mr. BASSIE. That is right.

Mr. STEFAN. And they will probably buy mowers, plows, tractors, and what not, from our dealers; perhaps not from the dealers but from the manufacturers in the United States, because they are going to buy them, I assume, at wholesale prices, or at jobbers' prices, whatever that may be.

But that particular machinery may not be shipped to these participating countries unless that shipment is approved by the policing activity, the Export Control License Division in the Department of Commerce. That bureau has been set up. We have made appropriations to it for the purpose of doing that policing, in order that we shall not deplete our own supply; is that not correct?

Mr. NITZE. That is correct.

Mr. STEFAN. They will have to know whether we have sufficient mowers on hand or tractors of various kinds, or plows, or rakes, or binders, or disks, and so forth. Why would it be such a difficult task to set that up?

Mr. NITZE. Because these figures, after all, deal with a period of 15 months, and then a period of 12 months.

Mr. STEFAN. I am talking about what the Export Control Licensing Division that polices this procedure will have to do. They ought to know whether we are going to have enough of these items or not.

Mr. NITZE. That situation changes from day to day as circumstances develop, in accordance with the particular demand.

Mr. STEFAN. The International Harvester Co. and the rest of the companies who make up this farm-machinery trust are going to profit tremendously by this program. Now we are asking for figures as to production, and estimated exports, and so forth. We are appropriating money to the Bureau of the Census and to other bureaus in the Department of Commerce to gather statistics. I should like to see some results of that work. For a period of over 14 years we have been told by your people that they need this money in order to gather these statistics, so that the public will know what is going on, what is the present situation, and what they expect in the future; in order that the consumer, too, may know.

You are asking for a great deal of money here—$5,000,000,000.

Mr. BASSIE. We do get the figures on the production of many of these items, sir, and also what part of that production leaves the country as exports. We watch this situation currently in our Export Control Division and if any of these items should rise to an unusually high proportion, action would have to be taken to check the outflow of that particular item. As far as knowing in advance how much they are going to want, these thousands of people who are going to be purchasing these items, we cannot know that. There is no way of telling.

Mr. STEFAN. We know that you are going to export 22 percent of our farm machinery, according to your statistics. At one time you said 25 percent, and then 7 percent, and now the total over-all is to be about 22 percent. And we know from what you have said that the representatives of these 16 countries are coming over here to purchase these items. They could go into one community and deplete that community of all the mowers in the community. Then they could go to the Export Control Division and get an O. K. on that shipment. Why can we not have the information as to how many mowers we have and what you are planning to ship?

Mr. BECK. These manufacturers' schedules are now set up for 1949 production. The minute that production is completed, the farmers have taken it.

Mr. STEFAN. That is all I have at this time, Mr. Chairman.

DISCUSSION OF PRODUCTION, EXPORTS, AVAILABILITY, AND SO FORTH, OF TRACTORS FOR VARIOUS PERIODS

The CHAIRMAN. I would like to get the following information. As long as you have not made up these tables, I shall make them up. I should like to know the prewar production of crawler tractors. Who can tell me that?

Mr. BECK. Mr. Sufrin.

Mr. SUFRIN. I have here the Census reports of production for various years. In 1939 there were 20,000 crawler tractors, the track-laying type of tractors, produced. Mr. Chairman, I am rounding off all these figures as I read them.

The CHAIRMAN. What were the exports?

Mr. SUFRIN. The exports were 7,800.

The CHAIRMAN. Leaving a balance of 12,200. Were there any imports?

Mr. SUFRIN. No; I am quite sure there were not.

The CHAIRMAN. In 1946?

Mr. SUFRIN. In 1946 there were 25,900 produced and 8,000 exports.

The CHAIRMAN. Any imports?

Mr. SUFRIN. No, sir.

The CHAIRMAN. That leaves a balance of 17,900. What is the figure for 1947?

Mr. SURIN. For 1947, 37,400 were produced. The exports were 12,100.

The CHAIRMAN. Leaving a balance of 25,300. What about 1948?

Mr. SUFRIN. I have not any estimate for 1948.

The CHAIRMAN. I want to know what your estimate was for 1948. If you do not have any, you could not have figured this out.

Mr. SUFRIN. We have estimated an over-all increase in production of 10 percent; that is, in unit production.

The CHAIRMAN. In other words, you are estimating about 41,000?

Mr. SUFRIN. That is correct.

The CHAIRMAN. With what exports of crawlers?

Mr. SUFRIN. I am very sorry, Mr. Chairman, I do not have a break-down of any estimate for the individual types of machinery for 1948.

Mr. NITZE. It would be about double, would it not, Mr. Sufrin?

Mr. SUFRIN. I think it is a safe statement that it would be about twice as much.

Mr. BRODELL. 12,300.

The CHAIRMAN. Now, give us the figures for the wheel tractors?

Mr. SUFRIN. The 1939 production was 185,500. Exports were 29,700.

The CHAIRMAN. Leaving a balance of 155,800. 1946?

Mr. SUFRIN. 258,200 produced and 52,200 exports.

The CHAIRMAN. Leaving a balance of 206,000. 1947?

Mr. SUFRIN. 421,300 production and 81,000 exports.

The CHAIRMAN. Leaving a balance of 340,300. Your 1948 estimate is what?

Mr. SUFRIN. We estimate a 10 percent increase in production.

Mr. BECK. The industry claims to be operating at the rate of 600,000 a year this year.

Mr. SUFRIN. That is for all types.

Mr. BECK. That is right.

Mr. SUFRIN. Mr. Chairman, we have made very careful attempts to get an estimate from the industry on wheel tractor production particularly and we have had such varying figures that we could not arrive at a final conclusion, but we believe that 10 percent is a reasonable figure for an increase over 1947.

The CHAIRMAN. You mean about 460,000?

Mr. SUFRIN. Yes, sir.

The CHAIRMAN. And the exports you estimate at what?

Mr. SUFRIN. In 1948 we expect some imports of tractors.

The CHAIRMAN. How many?

Mr. SUFRIN. About 15,000.

The CHAIRMAN. From where?

Mr. SUFRIN. From the United Kingdom and Canada.

The CHAIRMAN. That would give us an availability of 475,000. How much do you expect the exports to be?

Mr. SUFRIN. 110,000.

The CHAIRMAN. Which would leave a balance of 365,000.

Now, on garden tractors; what was the prewar production?

Mr. SUFRIN. For 1939, 9,800, and the exports were only 647.

The CHAIRMAN. That would leave a balance of 9,153. What about 1946?

Mr. SUFRIN. 114,500; exports, 5,600.

The CHAIRMAN. Leaving a balance of 108,900. 1947?

Mr. SUFRIN. 166,800 produced and exports were 15,400.

The CHAIRMAN. Leaving a balance of 151,400. What is your 1948 estimated production?

Mr. SUFRIN. We do not believe there will be much of an increase in production, if any, in 1948, because the reports we receive from the industry are that the garden-type tractors are not selling quite as well as heretofore.

The CHAIRMAN. And your exports are anticipated to be what?

Mr. BRODELL. I think if they get 20,000, that would be all right.

The CHAIRMAN. That would leave 146,800. Now, with the total production figures that you have given me, there is indicated an availability over-all in this country, including the import item, of tractors of 682,000 for 1948. The figures that you have given me for your estimate of exports total 142,000, which is about 20 percent of the total availability. So that according to this table that you have handed us here the total exports to these 16 countries in 1947 ran about 42,000. That would leave 70,000 elsewhere if that continues.

(The following table was developed from the above testimony:)

Tractors—Production and exports by type, prewar, 1946, 1947, and estimated 1948

	Production	Exports	Balance
Crawler:			
1939	20,000	7,800	12,200
1946	25,900	8,000	17,900
1947	37,400	12,100	25,300
1948 (estimated)	41,000	12,300	28,700
Wheel:			
1939	185,500	29,700	155,800
1946	258,200	52,200	206,000
1947	421,300	81,000	340,300
1948 (estimated)	460,000	110,000	365,000
Imports (from United Kingdom and Canada)	15,000		
Garden:			
1939	9,800	647	9,153
1946	114,500	5,600	108,900
1947	166,800	15,400	151,400
1948 (estimated)	166,800	20,000	146,800
Total:			
1939	215,000	38,147	176,853
1946	398,600	65,800	332,800
1947	625,500	108,500	517,000
1948 (estimated)	682,000	142,300	539,700

PRODUCTION, IMPORTS, TOTAL SUPPLY AND EXPORTS OF AGRICULTURAL MACHINERY, ETC.

(The following table was submitted later by the Department of Commerce:)

United States production, imports, total supply, domestic supply, and exports of all tractors, other agricultural machinery and tractor parts 1939, 1946, 1947, and estimated 1948–49

Commodity	Production	Imports [1]	Total supply	Domestic supply	Total exports [1]		Exports to participating countries [1 2]			Other exports	
					Quantity	Percent total supply	Quantity	Percent total supply	Percent total exports	Quantity	Percent total supply
Tractors—All types new (number):											
1948–49, estimated	[3] 667,800	15.000	682,800	540,500	142,300	20.8	[4] 52,165	7.6	36.7	90,135	13.2
1947	627,291	6,618	633,909	525,375	108,534	17.1	25,463	4.0	23.4	83,071	13.1
1946	402,413	828	403,241	337,266	65,975	16.4	16,746	4.2	25.4	49,229	12.2
1939	215,462	232	215,694	178,145	37,549	17.4	11,991	5.6	31.9	25,558	11.8
Other agricultural machinery (short tons):											
1948–49, estimated	[3] 1,234,900	37,165	1,372,065	1,199,110	172,955	12.6	62,893	4.6	36.4	110,062	8.0
1947	1,212,260	37,165	1,249,425	1,107,429	141,996	11.4	32,047	2.6	22.6	109,949	8.8
1946	1,016,665	25,252	1,041,917	999,436	42,481	4.1	15,459	1.5	36.4	27,022	2.6
1939	452,000	5,454	457,454	419,638	37,816	8.3	5,258	1.2	13.9	32,558	7.1
Tractor parts (thousand dollars):											
1948–49, estimated	[3] 178,468	2,827	181,295	119,495	61,800	34.1	21,065	11.6	34.1	40,735	22.5
1947	162,244	2,827	165,071	110,034	55,037	33.3	14,808	9.0	26.9	40,229	24.3
1946	119,463	1,725	121,188	94,870	26,318	21.7	5,861	4.8	22.3	20,457	16.9
1939	[5] 36,000	182	36,182	27,207	8,975	24.8	2,579	7.1	28.7	6,396	17.7

[1] Adjusted to factory prices, i. e., export values assumed to be 10 percent higher than factory prices.
[2] Including dependent overseas territories.
[3] Estimate for 1948–49 production based on 10 percent increase over 1947 for all items except garden tractors, for which no increase is estimated. This 10 percent is considered to be a minimum increase.
[4] Estimated as 90 percent of original estimate of 57,960 tractors from United States and Canada.
[5] Estimated as 78 percent of total attachments and parts, based on break-down in 1946 and 1947.

IMPORTS OF TRACTORS BY OTHER COUNTRIES FROM THE UNITED STATES, 1947 AND 1948

The total figures for imports, tractors, to these 16 countries, according to the table we have been furnished is around 67,450, but how many of them come from the United States no one would be able to tell from those figures. In 1947 they got 42,000 from us. What do you estimate they would get out of this country in exports this year?

Mr. BECK. We have made an estimate of 57,960 from the United States and Canada.

The CHAIRMAN. From the United States and Canada.

Mr. BECK. Yes; we were not able to estimate exactly how many Canada will be able to supply.

The CHAIRMAN. Do you have a record of the 1947 exports of tractors, and where they go; perhaps not by types but over-all?

Mr. SUFRIN. The major exports are to Canada.

The CHAIRMAN. To what?

Mr. SUFRIN. The major exports are to Canada; that is, the larger quantity of exports are to Canada, historically.

The CHAIRMAN. How many are going there?

Mr. SUFRIN. About 30,000 in 1947.

The CHAIRMAN. That is the over-all figure?

Mr. SUFRIN. No; I am sorry; I am looking at the wheel tractors.

The CHAIRMAN. We will have the corrected figures covering the wheel, crawler, and garden type tractors in tabular form.

The CHAIRMAN. Can you give me now the Canadian exports?

Mr. SUFRIN. You want them all the way through?

The CHAIRMAN. You gave the wheel tractors at 30,000.

Mr. SUFRIN. For which year?

The CHAIRMAN. For 1947.

Mr. SUFRIN. 31,000.

The CHAIRMAN. Now give us the crawler and garden.

Mr. SUFRIN. The next figure I have is garden, 6,200.

The CHAIRMAN. And how many for crawlers?

Mr. SUFRIN. 2,000.

The CHAIRMAN. Are a lot of them going to South America?

Mr. SUFRIN. Latin America; the crawlers, 3,400 total to Latin America. That is for 1947.

The CHAIRMAN. Yes.

Mr. SUFRIN. On wheel tractors, Latin America, 13,000.

Garden tractors, Latin America, 3,800.

The CHAIRMAN. Are there many exports beyond that? Not a very big item?

Mr. SUFRIN. Yes; on wheel tractors, there are.

The CHAIRMAN. Where to?

Mr. SUFRIN. All of Europe.

The CHAIRMAN. Outside of the 16 countries?

Mr. SUFRIN. No; that includes the 16 countries; this is all of Europe, 22,900.

The CHAIRMAN. For what?

Mr. SUFRIN. For wheel tractors.

Garden tractors to Europe, all of Europe, it was 3,000.

Crawler tractors, all of Europe, 2,400.

OTHER AGRICULTURAL MACHINERY

The CHAIRMAN. Can you give me the statistics as to the exports of other agricultural machinery than factors? Do you have that in such shape you can give it to us?

Mr. SUFRIN. I do not have the total figures. I have the figures for the various types of other machinery. For instance, I have the figures for plows, harrows, cultivators, and so on. It is a rather long list, but I have no over-all figures.

Mr. MAHON. Of course, a tractor on a farm is practically useless unless you have the necessary attachments. There is no use to have a tractor if you do not have the plow, the planter, the cultivator and things of that kind. Do your figures for tractors include the necessary attachments, or are those figures included under other agricultural machinery?

Mr. SUFRIN. That information is included under other agricultural machinery. The figures that I gave as to the number of tractors are just for tractors. The other implements are considered separately for statistical purposes, because of the nature of the machinery.

Mr. BECK. We have had that same problem arise in connection with other implements concerning exports of tractors, which they will get from the United States. They are separately identified.

PRODUCTION AND SHIPMENTS OF TRACTORS BY TYPES, 1947 AND 1946

The CHAIRMAN. The sheets which you have just handed me, containing the table about farm machinery and dollar values, I think should be put in the record. I do not know about the rest of it.

Mr. SUFRIN. I might explain, Mr. Chairman, that the Bureau of Census publishes detailed information on production of farm machinery, item by item, each year.

The CHAIRMAN. Yes.

Mr. SUFRIN. But this year the Bureau is making a census of manufactures and consequently there has been some delay in getting out the detailed figures. This statement is a preliminary report, which was issued March 15.

Mr. STEFAN. Was that a spot check?

Mr. SUFRIN. No; those are actual figures.

Mr. STEFAN. Taken from the manufacturers' census?

Mr. SUFRIN. No; there are two separate reports. The manufacturers report the production of farm machinery separately, and then there is a census of manufactures covering all items, including farm tractors.

Mr. STEFAN. This is a separate report?

Mr. SUFRIN. A separate compilation.

(The statement referred to follows:)

Production and shipments of tractors, by type, 1947 and 1946

Type of tractor	Production (number of units)		Shipments of complete units [1]				Shipments of attachments and parts [1]	
			Number		Value (thousands of dollars)		Value (thousands of dollars)	
	1947	1946 [2]	1947	1946 [2]	1947	1946 [2]	1947	1946 [2]
Total	625, 657	398, 678	623, 842	393, 109	509, 058	299, 126	210, 403	150, 428
Domestic			528, 269	333, 083	407, 072	238, 456	168, 417	123, 069
Farm use			490, 592	307, 306	313, 440	179, 510	116, 035	80, 422
Nonfarm use			37, 677	25, 777	93, 632	58, 946	52, 382	42, 647
Export			95, 573	60, 026	101, 986	60, 670	41, 986	27, 359
Farm use			85, 678	54, 056	70, 994	42, 330	23, 627	14, 261
Nonfarm use			9, 895	5, 970	30, 992	18, 340	18, 359	13, 098
Wheel type, total	421, 375	258, 274	420, 004	255, 338	342, 568	192, 272	122, 234	87, 198
Domestic			348, 263	206, 951	279, 258	153, 894	102, 136	74, 672
Farm use			335, 366	196, 043	264, 039	143, 653	95, 721	68, 570
Nonfarm use			12, 897	10, 908	15, 219	10, 241	6, 415	6, 102
Export			71, 741	48, 387	63, 310	38, 378	20, 098	12, 526
Farm use			70, 288	47, 228	61, 051	36, 711	19, 096	11, 790
Nonfarm use			1, 453	1, 159	2, 259	1, 667	1, 002	736
Tracklaying type, total	37, 418	25, 902	37, 607	26, 265	134, 215	82, 933	77, 026	59, 214
Domestic			27, 958	19, 943	99, 049	62, 402	56, 213	44, 615
Farm use			9, 098	7, 156	21, 458	14, 131	10, 651	8, 296
Nonfarm use			18, 860	12, 787	77, 591	48, 271	45, 562	36, 319
Export			9, 649	6, 322	35, 166	20, 531	20, 813	14, 599
Farm use			2, 521	1, 742	6, 739	3, 986	3, 606	2, 272
Nonfarm use			7, 128	4, 580	28, 427	16, 545	17, 207	12, 327
Garden type, total	166, 864	114, 502	166, 231	111, 506	32, 275	23, 921	11, 143	4, 016
Domestic			152, 048	106, 189	28, 765	22, 160	10, 068	3, 782
Farm use			146, 128	104, 107	27, 943	21, 726	9, 663	3, 556
Nonfarm use			5, 920	2, 082	822	434	405	226
Export			14, 183	5, 317	3, 510	1, 761	1, 075	234
Farm use			12, 869	5, 086	3, 204	1, 633	925	199
Nonfarm use			1, 314	231	306	128	150	35

[1] Data for 1946 represent "Sales." These data do not differ significantly from shipments.
[2] Revised.

TRACTOR PRODUCTION IN GERMANY

The CHAIRMAN. Is there any tractor production in Germany? There used to be.

Mr. SUFRIN. I think I can answer that question, Mr. Chairman. I spoke to a man who is connected with the Office of Military Government in Germany, who is here on vacation—he happens to be a friend of mine—and I asked him that question. He is connected with the Food and Agricultural set-up, and he told me there was no production going on at this time.

Mr. MAHON. Is there any production of agricultural machinery other than tractors?

Mr. SUFRIN. He said there was very little; mostly spotty, hand implements.

I do not know whether that is a proper statement to be included in the record, because it was not an official statement, but this gentleman seemed to know about it and that is the information I gained from him.

The CHAIRMAN. You mean he said there was no production of tractors in Germany.

Mr. SUFRIN. Yes.

The CHAIRMAN. The document that has been submitted to us indicates that there was some production.

Mr. STEFAN. We have a representative of the military government here, Colonel Blumenfeld, who can perhaps answer that question.

Colonel BLUMENFELD. Mr. Chairman, I have sent a cable to Mr. Wilkinson and asked him to give me a complete break-down. I do have a statement indicating that they exported during the month of February about $100,000 worth of agricultural machinery and implements other than tractors, so I am quite sure they are manufacturing agricultural implements over there right now. I am asking in my cable for information concerning all tractor production, information on all imports, of tractors on hand and machinery on hand. I hope to have that by this afternoon, and I am planning, when the Army appears, to give you a complete picture of that.

The CHAIRMAN. You think you can give us a complete picture of it?

Colonel BLUMENFELD. Yes.

The CHAIRMAN. There is a set-up here indicating 126,000 metric tons, domestic production, in 1947, and 2,100 tractors; and an estimate of 10,100 tractors produced and 1,891 metric tons of production of agricultural machinery—that is the estimate for 1948—which would be very close to the British production, of agricultural machinery, but is a fraction of the tractor production.

Mr. NITZE. Those figures were taken from the CEEC report. Many of them are inaccurate.

BASIS OF ESTIMATE FOR MACHINERY REQUIREMENTS UNDER PROGRAM

Mr. WIGGLESWORTH. Does anybody know how the amount of machinery for the 16 nations was determined?

Mr. BECK. I do not understand the question, by the amount of machinery.

Mr. WIGGLESWORTH. You have down here $136,000,000 for agricultural machinery, as I understand it, going to the 16 countries.

Mr. BECK. Yes.

Mr. WIGGLESWORTH. How were those figures determined?

Mr. BECK. That was determined, I would say, from the top rather than by any simple arithmetic of adding so many pieces of this kind and so many dollars, because we did not have that detailed data to go on. We started out by examining what each of the committee members indicated were available, from Commerce, Agriculture, FAO or any other source, which we could get.

We started out, for example, with the total acreage of the country, the arable land; we would examine what their present population was; we would examine the total number of power units on the farm pre-war and at present; we would examine the acreage of the country which was untilled and out of production because of lack of machinery or other reasons; we examine the manpower of the country and the deficiency.

We would go into such questions as the total draft animal population, the amount of the land in the country that was being used, if they used draft animals, but could be used in the production of food for the people, and the amount, if tractors were used instead of draft animals.

Then of course, we went into the amount of the population of tractors and farm machinery and its state of repair, or principally disrepair.

EXTENT TO WHICH PROGRAM CONTEMPLATES SUBSTITUTION OF AGRICULTURAL MACHINERY FOR ANIMALS

Mr. WIGGLESWORTH. To what extent does this $136,000,000 estimate contemplate substituting agricultural machinery for work previously done by animals?

Mr. BECK. It is our judgment of how rapid the transition can be made.

Mr. WIGGLESWORTH. To what extent does it contemplate the substitution of machinery in respect to work which has heretofore been done by animals?

Mr. BECK. Precisely the extent to which the animal population has been decreased during the war, but in addition to that fact, the needs of the country——

Mr. WIGGLESWORTH (interposing). To what extent—and I do not mean to be impatient—but I want to know the amount of the substitution. Heretofore a large part of the work, as I understand it, has been done by horses or other animals.

Mr. BECK. Yes.

Mr. WIGGLESWORTH. And we are planning to forget about horses and animals and in their places substitute agricultural machinery, and I want to know to what extent this program which is before us now contemplates that change-over.

Mr. BRODELL. If they get 50,000 new tractors that would take the place of about 200,000 work animals, that would be from 2 to 3 percent of the work animals they have now.

Mr. WIGGLESWORTH. What is the situation if they do not get them?

Mr. BRODELL. I do not know.

Mr. WIGGLESWORTH. When was this figure determined?

Mr. BRODELL. That is, the program calls for around 50,000 more tractors for them.

Mr. WIGGLESWORTH. Fifty thousand more tractors for them?

Mr. BRODELL. Than they now have on their farms; for 1 year.

Mr. WIGGLESWORTH. What would happen if horses were made available to them?

Mr. BRODELL. That is just a means of increasing the food shortage; the tractors would take the place of so many horses.

PRACTICABILITY OF CONVERSION FROM ANIMALS TO MACHINERY FROM STANDPOINT OF OIL AND GASOLINE SUPPLY

Mr. WIGGLESWORTH. Has this Department satisfied itself that this change-over, from animals to mechanization, is both practicable and economical in terms of oil supply and gasoline supply?

Mr. BECK. I understand, for example, on the question of distribution——

Mr. WIGGLESWORTH. Can you not answer that question "Yes" or "No," Mr. Beck?

Mr. BECK. It has been thoroughly considered, yes.

Mr. WIGGLESWORTH. Did the Department of Commerce look into that? Can you answer that "Yes" or "No"?

Mr. BECK. The answer is "Yes."

Mr. WIGGLESWORTH. You have satisfied yourself, as the representative of the Department, thoroughly, from that standpoint?

Mr. BECK. Certainly; I do not know how the committees could have functioned without doing so.

Mr. WIGGLESWORTH. You have been doing a lot of functioning here without apparently being too sure of the facts. I wanted to ascertain whether this aspect had been considered or whether it had been left in the hands, for example, of the representatives of the European nations.

Mr. BECK. They demanded three times what we are giving them.

Mr. WIGGLESWORTH. You think you can tell this committee that it is practical to effect the proposed change-over from horse-drawn machinery to agricultural machinery in terms of available gasoline?

Mr. BECK. I am not prepared to go into the petroleum question.

Mr. WIGGLESWORTH. That is not the question I asked you—and again I do not want to seem impatient—but it does seem to me that you could give us a "yes" or "no" answer to that question, and then follow it by such qualifications as you may wish to make.

Mr. BECK. We asked that same question and we were assured by Europe that they would have a distribution system to supply the combustibles required for power equipment.

Mr. WIGGLESWORTH. You are relying upon the European testimony in that respect, are you not?

Mr. BECK. Plus the checks we make. We do not have the appropriation to go over there——

Mr. WIGGLESWORTH. Please answer "yes" or "no" and then make any qualification you want to. I asked you if it is a fact that you are re.ying upon the conclusions of the representatives of the European government rather than on any independent finding on the part of the Department of Commerce.

Mr. BECK. As to the——

Mr. WIGGLESWORTH (interposing). The answer is "yes," or "no?"

Mr. BASSIE. No. I do not think that is correct on any of these commodities. We have had a series of committees, and the committee on which Mr. Beck served has covered farm machinery; but on questions of petroleum, another committee did have access to statements over here, and they made such checks as they were able, just as Mr. Beck's committee did in connection with machinery.

Mr. WIGGLESWORTH. I am trying to find out how much responsibility the Department of Commerce and its representatives assume for the figures before us, and all we get is a stump speech; as distinguished from answers to specific questions that are presented.

Mr. BASSIE. The Department's figures justify, I think, the answer——

Mr. WIGGLESWORTH. I asked a specific question and I get the answer "no"; and then you say the answer is "yes." I do not know how we are going to make a satisfactory record on that kind of evidence.

Mr. BECK. Each committee has had to start with the basis of what that country's supply was.

Mr. WIGGLESWORTH. Then you rely on their conclusion on that.

Mr. BECK. For instance, the whole Paris Conference Report had to be based on certain assumptions; we had to take the statements of the petroleum that would be available——

Mr. WIGGLESWORTH. I hoped they were based on statistical facts, in large measure.

So far as you are concerned you have not arrived at any conclusion based on your own statistical information?

Mr. BECK. That is outside any territory in which I served. That was not my problem; I am not a petroleum man.

Mr. WIGGLESWORTH. I asked the simple question, and the answer should be "yes" or "no."

Mr. BECK. I would have to have the question again.

The CHAIRMAN. Read the question, Mr. Reporter.

(The reporter read the pending question.)

Mr. BECK. What conclusion?

Mr. WIGGLESWORTH. The conclusion we are talking about.

Mr. BECK. The conclusion as to the availability of petroleum? No; I did not examine into that.

Mr. BASSIE. That is the answer of a specialist. The Department has specialists in all the various fields, and the Department concurs in these figures.

INCREASE IN EXPORT OF AGRICULTURAL MACHINERY UNDER PROGRAM OVER PREWAR PERIOD

Mr. NITZE. The Paris Conference came up with a request for over $500,000,000 worth of agricultural machinery from the United States. This committee cut that down to $136,300,000.

Mr. STEFAN. I have $158,000,000 here.

Mr. BECK. That $158,000,000 is from all of Western Hemisphere, not just the United States.

Mr. BRODELL. It was cut from $353,000,000 to $136,000,000.

Mr. NITZE. Anyway they cut it more than half.

Mr. WIGGLESWORTH. But you cannot tell us what it is.

Mr. NITZE. The question of the usefulness of having additional agricultural machinery was discussed, provided it could be made available.

Mr. BECK. Available from the United States manufacturing sources.

Mr. WIGGLESWORTH. I understand from the gentleman from Missouri, Mr. Cannon, and the gentleman from Nebraska, Mr. Stefan, that the farmers in their country are complaining because they cannot get enough agricultural machinery, and I note from this table that some $12,000,000 worth of agricultural machinery was sent to the 16 nations prewar, and you are proposing to send $136,000,000——

Mr. STEFAN. Over 1,100 percent increase.

Mr. WIGGLESWORTH. Almost a 1,200-percent increase; and the inquiry naturally arises in my mind, as a member of this committee, whether the program which is before us is overdone in terms of domestic needs.

Mr. BECK. There is something in the nature of 5 percent increase of the total United States production which would go to Europe.

Mr. STEFAN. 6.7 percent——

Mr. BECK. In the increase.

Mr. STEFAN. For 1 year, $12,000,000, with a percentage of 2.6; and when it was $56,000,000 it is 3.8 percent, and $136,000,000 is 6.7

Mr. BECK. 7.6.

Mr. STEFAN. My figures show 6.7.

Mr. BECK. I was using the converted table.

Mr. WIGGLESWORTH. On the basis of what is before us it seems to me that you have a 1,200-percent increase proposed in terms of exports to these 16 countries; and you have apparent protests in the agricultural fields based on the amount made available and the failure to get what they want, with no knowledge whatsoever in the Department of Commerce as to what the minimum needs of America are in this field of activity. That does not present a very convincing picture to my mind for the program suggested, and it is from that standpoint that I have been trying to get a little information.

Mr. BECK. Mr. Wigglesworth, the American farmers never did get 100 percent of our production of machinery. There has always been a percentage that has been exported.

Mr. WIGGLESWORTH. I do not believe that anybody suggested that they have.

DISCUSSION OF SUPPLY AND DEMAND FOR AGRICULTURAL MACHINERY FOR DOMESTIC PURPOSES

Mr. NITZE. The Department of Agriculture has testified that in their best judgment the amount which would remain in the United States for the United States farmers would be sufficient to cover the minimum needs.

Mr. WIGGLESWORTH. And I asked what the minimum needs were and no one has been able to answer.

Mr. NITZE. I do not believe that anyone could state exactly.

Mr. WIGGLESWORTH. I would not expect them to do so, but I do expect them to have a reasonable estimate of what those needs are in terms of major commodities in this country.

Mr. STEFAN. We know that the farmers cannot get enough farm machinery, and we also know you people came up and told us that the situation in farm machinery production is such that you cannot provide the necessary machinery that the American farmer wants. At first you said there was going to be an export of 25 percent, and now you say they are going to export 22 percent, and we know that the farmers are short 22 percent because they cannot furnish him what he wants.

Mr. BECK. Looking at it the other way, however, they are getting four times as much as they got prewar.

Mr. STEFAN. But they are asked to produce four times more to take care of these 16 countries; they are asked to do that to help them out in their economy, to help rehabilitate these countries.

Mr. BECK. Yes.

Mr. STEFAN. And the American farmer is asked to produce more, and he will gladly do so if you will give him the machinery that he wants and ought to have if we are going to rehabilitate those countries and help restore their economy, but apparently the proposal is to give the machinery to them instead of the American farmer.

Mr. BECK. No.

Mr. STEFAN. To put them in the same position as the American farmer, on a mechanized basis.

Mr. BASSIE. Over a long-term period. That is one of the difficulties in this country; it is just a question of time. We have a situation where the production has not yet caught up to the demand, but it will in the course of time. Certainly this level of production that

we have, if continued over a period of time, will more than meet the needs.

Mr. STEFAN. How do you figure that 22 percent can go into export when the farmers of the United States need it, and even then they will not have enough to meet their demands? And I remember that someone from the Department, in justifying the appropriation for one of the divisions, used that in justifying the appropriation—because of the needs of the ECA program.

Mr. BECK. Because it means an increased work load on the Department.

Mr. STEFAN. And you were saying that the farmers were short farm machinery even for domestic use, and that we were not going to have enough because not enough was being produced, and that with this program going into operation they were not going to have enough farm machinery. How are you going to meet the demands?

Mr. BECK. It will simply mean we will have to increase the screening of machinery that is going out of the country, in terms of the domestic needs, to see that they are protected.

Mr. STEFAN. I think Agriculture could give you the answer to Mr. Wigglesworth's question, because you are statisticians down there. You get your information from Census and other statistics-gathering agencies.

Mr. BASSIE. We try to do just the sort of thing you are trying to do.

Mr. STEFAN. We want to know what the demand of the farmer is; how much does he need? Agriculture should know that. Agriculture collects statistics and Census collects statistics, and they certainly must know how many farmers on farms are out of tractors, out of a mow board, out of a gang plow, out of a disk, or whatever it is. And we ought to know what the demand of the American farmer is. I know that Mr. Cannon knows what he needs on his farm, and I know what we need in the 24 counties of my district that I represent here. They are all agricultural. I know that every one of them is short of machinery. I know the businessmen in every one of the 100 towns located in those 24 counties do not have enough to meet the demand, and when the farmer comes to him he says, "John, I just do not have that. I do not have enough to supply my customers now, but Mr. Smith down the street has tractors and a few things, but he is in the black market, and you will have to pay a tremendous price."

Mr. BASSIE. It is the same thing as with automobiles. I have a car. I would like to buy a new car, and I cannot get it. But I can make this one do.

Mr. STEFAN. But you ought to know what the demand is. The automobile people know how many cars they can sell, and you ought to know what the demand is.

Mr. BASSIE. They can sell a lot more than they can produce.

Mr. STEFAN. Surely; and so with the men of the farm. But we ought to know how much we are really sending over there that we actually need to produce the things these ERP people want.

Mr. BASSIE. But both the automobile industry and the farm machinery industry know it won't take them very long to catch up with this demand. The farm machinery people were in, and we discussed this question with them, and the agricultural people discussed it with them. Now, the best judgment of all these people was that

the domestic availability—that is, the part of the production that is sold here—is adequate to meet the essential needs of this country.

Mr. STEFAN. If you know that it is adequate to meet the essential needs of this country, what are the needs in terms of farm machinery?

Mr. BECK. Would our total food production decrease because of the lack of this equipment which the farmer would like to buy if he could get it?

Mr. STEFAN. I want an answer to Mr. Wigglesworth's request—and I think that is the request of all of us—how much machinery we have to have. What is our deficiency? We spend hundreds of millions of dollars for statistics in Agriculture and Commerce, and we ought to be able to get some answer to that. What is the deficiency? We know we are going to ship 21 or 22 percent of our farm machinery and we also know we need that much more; that the farmer can use that, because your own statement shows that. Yet we are going to ship over there 22 percent that we know the farmer needs besides what he is getting now; yet you say you are going to ship 22 percent over there. And certainly Agriculture knows what the deficiency is, and the deficiency is more than 22 percent. You say in your official statement that the requirements for the American farmers are in excess of industry's ability to supply; yet you say there is going to be an ample supply for them. How do you know that, if you say in one place there is not an ample supply and now you say there is going to be an ample supply? Now you say there is a shortage of materials for component parts, such as steel, and you have another story about steel—a pathetic picture that you paint about steel; a terrible picture that you paint about steel:

> Iron and steel: Inadequate supplies of iron and steel are causing serious bottlenecks to industrial production and represent a definite threat to economic stabilization. The pressures emanating from the unbalanced supply-demand position of these basic commodities are contributing substantially to inflationary tendencies. The problem is one of increased production and more equitable distribution—

with which I certainly agree—

> Unused iron and steel capacity may be put into operation and available supplies may be distributed more effectively if industry agreements can be negotiated to overcome some of the underlying difficulties.

Then you have the problem in pig iron and you have the problem in petroleum. And then, when you got to this terrible story about farm machinery which we are discussing today, you wound up on that farm machinery by recommending legislative action because "conditions are so bad" and the President followed it up with recommendations to the Congress for controls and priorities. Then you came to us and justified appropriations for setting up different divisions in Commerce in order to make this export licensing control "that will absolutely be necessary if we are not going to kill our economy."

Mr. BASSIE. That is right.

Mr. STEFAN. And certainly you can tell us what is our deficiency in farm machinery. That is the only question Mr. Wigglesworth asked. Why cannot we get an answer to that?

Mr. BASSIE. Some of those questions just do not have numerical answers. I think that has to be recognized. We do not intend to modify anything we said there. We believe these items are short, and we believe that points to the need for careful export control. But we

also agree with the Congress, when it passed this program, that the program is worth the cost to the country.

The CHAIRMAN. But you do not know the reasons why. That is the way the case is presented.

You know, I am going to do this. I feel it is my duty to write to the new Secretary of Commerce and call his attention to the testimony here this morning and ask him to read it. That is just how I feel about this testimony this morning.

Mr. KEEFE. Mr. Chairman, I regret I was not able to be here at the beginning of this hearing on farm machinery, but I want to try to see if I can understand the purport of the testimony that has been attempted, at least, to be presented to the committee.

VALUE OF SUPPLY OF AGRICULTURAL MACHINERY AVAILABLE, APRIL 1948 TO JUNE 1949

I confess I am somewhat confused, to say the least. If I understand correctly the table that has been presented, which we have before us—and I hope you will correct me if I do not so understand it—the production of agricultural machinery April 1948 to June 1949 in the United States is estimated at $1,985,000,000. That is correct, is it not?

Mr. BECK. Yes.

IMPORTATIONS OF AGRICULTURAL MACHINERY

Mr. KEEFE. You then estimate there will be imports of $50,000,000 worth of farm machinery?

Mr. BECK. Yes, sir.

Mr. KEEFE. I would like to know what those imports are and from where.

Mr. SUFRIN. I can answer that question. The imports into the United States in 1947 amounted to $35,000,000; $34,000,000 of that came from Canada. That is the historical relationship, because there are certain American companies which have Canadian branches which ship to this country, and we get the most of our imports of farm machinery from Canada.

Mr. KEEFE. Then would the same thing apply to the $50,000,000?

Mr. SUFRIN. No. I was going to explain that. The reason we estimate $50,000,000 for 1948 is that one American manufacturer has made arrangements with a British manufacturer to produce tractors to ship into the United States.

Mr. KEEFE. To produce them where—in Britain?

Mr. SUFRIN. In England, in the United Kingdom, in Great Britain. This American manufacturer is shipping tractor engines to Great Britain; the tractors are being made there; these engines are being put into the tractors that are being returned to the United States.

Mr. STEFAN. What company is that?

Mr. SUFRIN. That is Harry Ferguson, Inc.

Mr. KEEFE. The tractors are then to be returned to the United States?

Mr. SUFRIN. Yes. And, in addition, we know that Massey-Harris Co. is now making a very small tractor in Canada which they did not do previously, and they propose to import some of those tractors into

the United States from their Canadian plant. That is the reason we estimate an increase in the imports in 1948 compared with 1947.

Mr. KEEFE. Now, if I may appear to be naive and dumb, I hope you will pardon me, but we are talking about exporting tractors to Europe and Britain from the United States.

Mr. SUFRIN. Yes, sir.

Mr. KEEFE. And you are now telling us of the increase in productive capacity in Britain to export tractors from Britain to the United States.

Mr. SUFRIN. Yes, sir.

Mr. KEEFE. Well, I will try to study that anomalous thing, if I can, to try to understand that situation.

Mr. SUFRIN. I am simply stating a fact which has been published in the press.

Mr. KEEFE. All right. We are going to ship tractor parts from this country over to Britain where they are going to be fabricated by the Ferguson Co. in Britain?

Mr. SUFRIN. That is not the Ferguson Co. in Britain; it is another company.

Mr. KEEFE. Well, some company. Then they are going to build the tractors over there and ship them back to the United States, and then we are going to have companies in the United States making tractors which we are going to give away and ship over there?

Mr. SUFRIN. That will be a different type, for the most part.

Mr. KEEFE. If that is an economical way of doing business, I cannot understand it, but perhaps I can be made to understand it before I get through.

Mr. SUFRIN. I think it proper for me to explain that this arrangement Harry Ferguson has made with a British manufacturer is a temporary one. They are constructing or developing a plant in Detroit, Mich., which they hope to have ready for operation some time in the fall, perhaps in September or perhaps a little later, and at that time they will produce tractors in the United States and then they won't have to import them from Great Britain.

Mr. KEEFE. In any event, the total supply of tractors, as indicated, or, rather, of agricultural machinery, as indicated, is $2,035,000,000 worth in 1948–49—April 1948 to June 1949?

Mr. SUFRIN. I am sorry. I did not follow your question.

Mr. KEEFE. I am referring to column 5.

Mr. SUFRIN. That is the total supply; yes, sir.

Mr. KEEFE. That is the amount available to be manufactured in the United States and the amount to be imported from Canada and Britain?

Mr. SUFRIN. That is right.

Mr. KEEFE. Do we import from any other nation?

Mr. SUFRIN. There are small amounts imported historically from Sweden.

Mr. KEEFE. According to these figures from which you make up these $50,000,000 of imports, are there any imports from any other nation besides Britain and Canada?

Mr. SUFRIN. Yes, sir; I stated there were some from Sweden.

Mr. KEEFE. How much are they going to amount to?

Mr. SUFRIN. In 1947 it was $282,000.

PERCENTAGE OF AVAILABLE SUPPLY OF AGRICULTURAL MACHINERY TO BE EXPORTED APRIL 1948 TO JUNE 1949

Mr. KEEFE. Now, then, our total exports out of this total supply, as shown in column 6, are $449,000,000 for April 1948 to June 1949. That is correct, is it not?

Mr. SUFRIN. Yes, sir.

Mr. KEEFE. And that amount of $449,000,000 represents 22 percent of the total supply of $2,335,000,000?

Mr. SUFRIN. Yes, sir.

Mr. KEEFE. Which is expected to be shipped from the United States to the participating countries under this program. Is that right?

Mr. SUFRIN. No, sir. The $449,000,000 is exports to all countries.

Mr. KEEFE. That is to all countries?

Mr. SUFRIN. Yes, sir.

Mr. KEEFE. The quantity to be shipped to participating countries is in the second succeeding column, column 8, $136,000,000?

Mr. SUFRIN. Yes, sir.

Mr. KEEFE. That is the amount that is to go into this program?

Mr. SUFRIN. Yes, sir.

Mr. KEEFE. And that represents 6.7 percent of the total supply; is that right?

Mr. SUFRIN. Correct.

PREWAR EXPORTATION AND IMPORTATION OF AGRICULTURAL MACHINERY

Mr. KEEFE. Now, I have understood the testimony to be that prewar the total supply was $463,000,000, as shown by this table.

Mr. SUFRIN. Yes, sir.

Mr. KEEFE. $458,000,000 of domestic production and $5,000,000 of imports; is that right?

Mr. SUFRIN. Yes, sir.

Mr. KEEFE. Of which we exported a total of $73,000,000, or 15.9 percent of the total?

Mr. SUFRIN. Yes, sir.

QUESTION AS TO INCREASED NUMBER OF AGRICULTURAL MACHINERY UNITS FOR LOCAL SUPPLY

Mr. KEEFE. Now, under this program, it is contended that because the production in 1948–49 has risen from $458,000,000 prewar to an estimated $1,985,000,000 in 1948–49, while the percentage of exports is greater, as a matter of fact, do I understand you to contend that the actual number of units available to the farmers of America is greater because of the increased production? Is that what you have tried to say?

Mr. SUFRIN. Yes, sir; that is correct.

Mr. KEEFE. So that you contend, under this program, using that as a basis, the farmers of America, due to the increased production in the United States plus the increased imports, as contemplated here, will actually receive in units of farm machinery and tractors more units than they received in the prewar period? Is that what you have tried to say?

Mr. SUFRIN. Yes.

Mr. BECK. More than they received in 1947 and several times what they received prewar.

Mr. KEEFE. Well, more than they received in 1947?

Mr. BECK. Even more than they received in 1947.

Mr. KEEFE. Now, the difficulty I experience is the difficulty experienced by Mr. Stefan and others of the committee, in trying to reconcile statements previously made to this committee referring to the over-all supply of available farm machinery, where you state that the requirements for farm machinery at home are currently in excess of industry's ability to supply. These figures you have given, of course, are all comparative in relation, first, to the supply and the demand. Certainly the farm people of this country are worn out, many of them, from hard work and long hours in meeting the production goals. Everyone knows that. The people in my area have just worked themselves to the bone to try to meet these production goals and get along with the fixed-up, antiquated, and wired-up machinery they are using, and now they have built up a backlog of demand that exists everywhere, and the supply has not kept up with the demand.

So you come in and tell us that the requirements for farm machinery at home are currently in excess of the ability of the entire industry to supply. Then you say that the shortage of materials and components, such as sheet steel, power transmission chain, bearings, wheels,radiators, and Diesel enginers, is causing a considerable loss in production and that the domestic shortages will be intensified by the demand for farm machinery in the European recovery program. Then you have made this further statement, that in its first year of operation the European recovery program will demand nearly one-quarter of our production annually. That is the 22 percent, I presume.

Mr. BASSIE. No, sir.——

Mr. KEEFE. I do not know what they refer to. All these figures are subject to change without notice and are made without reference to acts of God and everything else, I guess, so that we do not attempt to pin ourselves down to specific figures. But, at least in the presentation made by the Commerce Department to this committee, they used the term "nearly one-quarter of our production annually."

AMOUNT OF DIRECT APPROPRIATIONS REQUESTED FOR AGRICULTURAL MACHINERY UNDER PROGRAM

Mr. BASSIE. It was explained before you came in that is a demand figure which has been cut down from $353,000,000 to $136,000,000. In other words, only 7 percent, approximately of the supply in 1948–49.

Mr. STEFAN. Where is that $353,000,000?

Mr. BASSIE. That was the figure originally requested in this program.

Mr. KEEFE. Do I understand you to say when this particular justification was made up it was made up in contemplation of the fact it might be $353,000,000 instead of $136,000,000?

Mr. BASSIE. No, sir. I do not think it was ever contemplated that we would ship that much. When that justification was made up, it was made up to indicate these demands would be beyond what we could contemplate shipping; therefore, we had to exercise strict control of the exports.

Mr. KEEFE. You had to exercise strict control of the exports, and now you are here asking us for money with which to implement this program to the extent of providing the amount of farm machinery indicated on this table. And do I understand as this program goes forward it is proposed to further evaluate from time to time the domestic demand, and the figures will be changed from time to time as the situation may develop? Is that right?

Mr. BASSIE. Yes, sir.

Mr. KEEFE. Then what you are asking, as a matter of plain talk, it seems to me, laying all the cards face up on the table, is you are asking us for this particular item of $136,000,000.

Mr. BECK. Yes.

Mr. NITZE. I think it is around $80,000,000 that are included in the appropriation request.

Mr. STEFAN. You look on your justifications, Mr. Nitze, and your total is right there on page D–4, and that apparently has been given out to the public press, and the press has been printing the entire story from this sheet which you now tell this committee has been changed entirely, and we are getting different figures here in the committee, and the press is printing the figures you have here—because I have stories here printed directly from this sheet.

Mr. KEEFE. Let me see if I can break it down. I think I realize what Mr. Nitze is trying to say. In other words, you show on this table exports to participating countries, including dependent overseas territories, of $136,000,000 contemplated; is that right?

Mr. NITZE. That is right—from the United States.

Mr. KEEFE. That does not, in itself, indicate that $136,000,000 is to be derived out of ECA funds?

Mr. BASSIE. That is right.

Mr. KEEFE. A portion of that $136,000,000 will be provided by available dollars to the participating countries; is that right?

Mr. BASSIE. Yes, sir.

Mr. KEEFE. And other countries that may be included within that over-all figure?

Mr. BASSIE. Yes, sir.

Mr. KEEFE. How much, then, of the appropriation request you are making of this committee to finance this ECA program is for dollars to pay for farm machinery?

Mr. NITZE. $81,500,000.

Mr. KEEFE. So that what you are, in effect, then, asking for is $81,500,000 of money to implement the requests of participating countries to purchase farm machinery?

Mr. NITZE. That is correct.

Mr. KEEFE. That is what it amounts to, does it not?

Mr. NITZE. That is correct.

Mr. KEEFE. And the balance of the $136,000,000, it is anticipated, will be provided by dollar currency or exchange available to those participating countries out of their own funds?

Mr. NITZE. That is correct.

Mr. KEEFE. Is that right?

Mr. NITZE. With a very small portion from other loans and credits from other sources.

NECESSITY FOR REVISIONS IN PROGRAM DEPENDING UPON PREVAILING CONDITIONS

Mr. KEEFE. That explains the break-down of the mechanics thus far, but it does not change the picture which has been raised by Mr. Stefan and other members of the committee, namely, that here we have on the question of availability and supply one set of figures which is going to change, depending upon productive capacity as it changes in this country or may change—it may go up and it may go down, depending upon the availability of steel, the possibility of no strikes, the possibility of transportation, the possibility of coal and every other thing that is involved in it—so that the figure you have given us is simply an estimate which may be changed up or down—and more likely down than up—is not that true—in view of the current situations that are facing the country?

Mr. NITZE. You would have to judge that on the basis of better information than we have today. It is expected the Administrator will constantly be getting information on current developments. I would not be able to say now.

Mr. KEEFE. The figures will constantly have to be revised. That means, then, in determining the question of export controls, which is connected with it, a study will constantly have to be made of the availability of supply in this country without interfering too greatly with the domestic economy, and these figures may look entirely different 30 days from now or 90 days from now than they do here.

Mr. NITZE. Yes.

Mr. KEEFE. What would be the situation if the Congress should say, where you have $81,500,000 in here, "Strike that out of this business entirely"? What would be the situation?

Mr. CANNON. You mean to provide no machinery at all?

Mr. KEEFE. Yes. The point, Mr. Cannon, I am trying to resolve in my own mind is I realize the importance of this thing, and I want to get a correct understanding of it. They have told us that in view of the productive capacity as they saw it at the time they came in here asking for a supplemental appropriation to finance this expanded export license control we were really going to be faced with a tremendous dearth of farm machinery domestically. You have already told us that, and we do not have to have anything new on that score.

Now, then, we do know when you take away, regardless of how big the production figures are that you have given us—when you start taking away from the domestic production, whatever it may be, and giving it away or shipping it abroad, that you are going to lessen the amount of farm machinery available to the people here, and you tell us there is a deficiency of 25 percent already.

Mr. BASSIE. We did not say it would lessen the amount available here. I think the amount available here will be increased. But the fact is correctly stated that there are shortages throughout the world, including this country——

Mr. KEEFE. When you say the amount available will be increased, that is in terms of units compared to the demand, is it not?

Mr. BASSIE. In one sense. If we did not ship any abroad, it is true there would be more for use here in this country.

Mr. KEEFE. That is just as simple as ABC.

Mr. BASSIE. Certainly. But the total production in those circumstances ought to be divided up on some kind of a reasonable basis. We are going on the assumption here that a program is to be undertaken to help these countries.

NEED FOR JUSTIFICATION OF PROGRAM ON BASIS OF RECONSTRUCTION OF EUROPEAN COUNTRIES

Mr. KEEFE. Right there, I have contended time and time again in public addresses throughout the country that we have undertaken a program of reconstruction, but I do not want the American people to be kidded, and I do not like the approach that is made by Commerce or Agriculture or any of the rest of these outfits that are up here telling us and telling the public in press releases that it is not going to hurt them; that they can get along splendidly. If you are going to sell this program to the American people, they have the courage to face the facts, and they ought to face the facts, and you ought to tell them the truth instead of vacillating and skirting around the edge and telling them "Oh, no; this is not going to hurt you; you are going to have more machinery than you had before," when the farmer know well that he cannot go and get a piece of farm machinery out in my country. If you would come out and tell him what the real facts are, that this is a program for the reconstruction of these nations, and what the over-all situation is, the American people know they have to make a contribution to that and they have to face it. And the threat is even now being made, because of the pressures put upon the domestic economy as a result of this program, that we may have to go back to controls. And why not tell the American people the truth instead of skirting around the situation and making them believe "Oh, you are going to have more farm machinery. Oh, yes; you are going to have more than you had last year?" You go out and tell that to my farmers, when they are up against a situation where they just simply cannot get it, and see what they say.

Now, if the situation is put squarely up to them as to what it is we are getting into, that this is a great economic program of recovery in Europe to reconstruct those nations in the belief it is for the best interests of the people of the United States and those nations ultimately to so do and it is going to cost something to do it and we have to make some contribution in order to do it, I think you will find the American people will respond.

But, as I find it right now, it impresses me that there is a lot of circumlocution in the estimates and in the press releases that are being put out and you are trying to sidestep the issue here. Then you get up to the situation where you are asking Congress to provide the necessary controls to stop this inflation that is bound to take place, and you have not told the American people the truth and provided them with the facts necessary to let them face that issue—as they will face it ultimately courageously.

That is why I am so disgusted with your presentation of this proposition so far as I am concerned and your presentation to the public. And I have told Mr. Lovett that ever since this thing started and others down there. I believe the American people can take it and they do not need to be given a lot of belly wash in this situation.

Tell them the facts—"Yes; we are producing more farm machinery than we did; we hope to increase the production; production is the answer to this proposition, but we have to ship more farm machinery over to Europe to assist this whole program to get those people back on their feet and every dollar's worth of machinery we ship over there beyond our normal exportable surplus of farm machinery is going to come away from some American farmer who is clamoring for it, and now are you prepared to make that sacrifice in the interest of the upbuilding of the economies of those foreign countries?" I think when you put it up to them in that way the American farmer will respond. But if you put it on the basis of "Why, my friend, you are going to have more farm machinery than you had last year," it is a lot of malarkey; because, on the other hand, the demand is intensified and made much greater due to the depreciation and the wearing out of farm machinery, so that in relation to the demand the farmer is worse off than he was before, even in the face of this increased production.

I do not know what it is in other parts of the country, but I know what it is in my part of the country, and my people are tired. They are tired physically of trying to meet this demand; yet they have done a grand job of producing and will continue to do a grand job of producing. And you fellows had better sell this idea to the American people on the basis of the real facts and you will get somewhere, and do not try to come in here and kid this committee by telling us "We have a set of figures here which shows they are going to have more farm machinery." And of all the dumb, idiotic things I have ever listened to, it is this idea of sending sheet steel and everything else over to Britain as Ferguson and his group are doing, to fabricate tractors over there and then ship them back to the United States. I cannot see that.

Mr. Stefan. The explanation is there that they cannot use those tractors over there for the reason that the European parts do not fit them.

Mr. Bassie. May I further clarify the record and clarify our position?

Mr. Keefe. I have exploded and said all I want to say on that.

Mr. Bassie. We have never tried to mislead anybody. Mr. Harriman, Mr. Foster, and the other representatives of the Department of Commerce have constantly pointed to the fact that many sacrifices in the United States would have to be incurred by undertaking this program.

Requirements for Tractors and Other Agricultural Machinery by Various Countries

AUSTRIA

The Chairman. Going through this document on tractors, for Austria you have 600 set up as against imports in 1946 and 1947 of 3,000 apiece; prewar 200; with a domestic production of 1,600 and an ECA allotment of 120. They have more tractors over there than they ever had before, have they not?

Mr. Beck. If you are basing that on total imports of 3,000 for 1946 and 1947, I would have to disclaim those figures. Those are figures supplied from Europe, but we can find absolutely no justification for those figures.

The CHAIRMAN. You mean they did not import 3,000?

Mr. BECK. Nothing like it.

Mr. WIGGLESWORTH. What did they import?

Mr. NITZE. These figures are completely unreliable on tractors and other agricultural machinery.

The CHAIRMAN. How much did they import? Do you know anything about it?

Mr. BECK. In 1948, the best information we have is that there were only 5,000 tractors in all Austria.

The CHAIRMAN. Even so, from the looks of it, if they had 200 imported prewar and none manufactured, the 5,000 would have to be there as a result of importations since the war ended, because there would not be any carry-over from the war, the way they were smashed up over there.

Mr. BECK. According to the figures that we have had of what they got from the United States, they have gotten less than 1,000 tractors in those 2 years.

The CHAIRMAN. Does that include UNRRA?

Mr. BECK. Yes; these statistics include all of that. They show, for instance, that in track-laying tractors, in 1946, they got 78 from us and none in 1947. We have similar figures for the other types of tractors here.

The CHAIRMAN. They only got 78?

Mr. BECK. Track-laying tractors, 78 in 1946 and none in 1947. Taking that as one item, we can go through the other items to see what they actually got. We have no statistics, except our own export statistics, of what the United States supplied them and I doubt that they were able to get any from other sources.

The CHAIRMAN. What about this 1,600 production for 1948? What do you know about that?

Mr. BECK. That is their figure of anticipated production under the plan of what they can do to help themselves if we give them this amount that they ask from us.

The CHAIRMAN. What do you know about the 600 figure?

Mr. BECK. The 600 is an estimate that we concur in. Ours is an estimate based upon their total requirements and the number of tractors in proportion to the tons of other agricultural machinery that would go with that number of tractors.

The CHAIRMAN. That is a proportionate item to the tonnage of agricultural machinery?

Mr. BECK. Yes, sir.

The CHAIRMAN. Without figuring on animals, or anything else?

Mr. BECK. Well, no. There would be some horse-drawn stuff, but I imagine most of their horse-drawn equipment would come from continental production. There is quite a bit of that made over there.

The CHAIRMAN. For other agricultural machinery, according to this, they produced 10,900 tons prewar; imports of 47,300 tons and available only 5,400 tons?

Mr. BECK. That should be 54,000. That is a misprint.

The CHAIRMAN. Is that anywhere near correct?

Mr. BECK. To the best of my knowledge, that is still a figure from Europe. We know that the tractor figures there are absolutely unreliable.

The CHAIRMAN. You do not know anything about the agricultural machinery?

Mr. BECK. We do know that prewar most of the tractors that Austria got came from Germany and about 55 percent of her implements came from Germany. Where these statistics came from, I do not know.

The CHAIRMAN. What do you know about the 1948–49 picture?

Mr. BECK. The import part of it is our figure here. The domestic production is the estimated figure given us by the Paris Conference report as to what they could do for themselves.

Mr. NITZE. There is also an estimate that they are producing about 200 tractors per month.

Mr. BECK. Yes; they are producing 200 to 250 wheel tractors a month in the Steyr plant. That is the present rate of production.

The CHAIRMAN. The figure for other machinery is 16,000 tons. Is that anywhere near right, or do you not know anything about that, either?

Mr. BECK. No; that is a figure that we accepted.

Mr. OGDON. That is a pretty good figure. We got some information from the agricultural attaché on that, and that looks pretty good.

The CHAIRMAN. What about the 6,300 figure? Is there any reason for that? If you do not know, please say so, and we will go along to the next item.

Mr. BECK. I do not find that item.

The CHAIRMAN. That is the total imports into Austria for 1948, 6,300 tons.

Mr. BECK. We believe in that figure. That corresponds to the needs for the number of tractors, 600 tractors.

The CHAIRMAN. In other words, you are figuring 10 tons of machinery to a tractor?

Mr. BECK. That is the way the exports have been running.

The CHAIRMAN. And the allotment of 1,135, is there anything to base that on?

Mr. BECK. Mr. Nitze, you will have to tell how that 1,135 is derived as to the percentage of ECA-financed.

Mr. NITZE. I am afraid I do not have that here Mr. Chairman.

BELGIUM-LUXEMBOURG

The CHAIRMAN. We will pass to Belgium-Luxemburg. There is a picture of prewar production of tractors and imports totaling 1,530; 1,900 overall in 1946 and 2,100 in 1947. Is that dependable?

Mr. BECK. Those are figures supplied us by the Paris Conference report.

The CHAIRMAN. Is there anything to base them on; that is, have we anything to base those figures on?

Mr. BECK. Yes; we have the export figures on tractors from the United States only, but we do not know what they got from other countries in Europe.

The CHAIRMAN. Did you send them as much as 100 in 1946 and 1947 each?

Mr. BECK. In 1946 we shipped them 449 wheel tractors, and in 1947 we shipped them 972; in garden tractors a smaller number, 28 in 1946

and 147 in 1947. In crawler tractors we shipped them 17 in 1946 and 53 in 1947.

The CHAIRMAN. So that the figures are very low on importatioos?

Mr. BECK. Yes.

The CHAIRMAN. What about their own production, 1,500 prewar and 1,800 and 2,000 for 1946 and 1947; what do you know about that?

Mr. BECK. Those are Paris Conference report figures.

The CHAIRMAN. You have not anything more than that to base it on? If you have, tell us and if you have not, please say so.

Mr. OGDON. We have an agricultural attaché in Belgium and we asked him about that. He says there is no tractor production in Belgium and that the CEEC committee did not know about it when they put that in there.

The CHAIRMAN. No agricultural machinery production?

Mr. OGDON. Oh, yes; there is agricultural machinery, but not tractors. There were plans for a plant, but they did not materialize.

The CHAIRMAN. What about this figure of estimated production in 1948? Is the same true there?

Mr. OGDON. It does not look as though they are going to have any tractor plant in operation this year.

The CHAIRMAN. You have 1,900 as prospective imports. What about that?

Mr. BECK. That is from all countries.

The CHAIRMAN. I understand. Is that a figure that has been passed on by your set-up as something that they need, or not?

Mr. BECK. Yes; we feel that they need that.

The CHAIRMAN. They have a lot of animals over there and they did not use a great many tractors, did they, prior to the war?

Mr. BECK. We show that they had something over 5,000 tractors at the beginning of 1948 and only 1,530 prewar.

Mr. OGDON. They do like our small-type tractor pretty well. Their farms are rather small, but they find that our new tractors can get around into difficult places.

The CHAIRMAN. Are they the garden variety of tractors?

Mr. OGDON. They are larger than that, ones that pull two plows. The Belgians imported a lot of them last year. They must have gotten more than 900 tractors from us.

The CHAIRMAN. Yes, last year they got 1,000.

Mr. OGDON. And our farm machinery people think that it is a very good market. They do have draft-animals. There has long been a big horse-breeding industry in Belgium, and horses accumulated during the war. They got some age on them and became potential draft animals. Now the number is declining since exports are possible. But the number of draft animals is practically the same as prewar. The question is whether they can use their labor to better advantage in agriculture or in other industries. Belgium is pushing her other industrial programs, as you know from your discussions on steel, and so forth.

The CHAIRMAN. You have a 135 contribution from ECA. Is there justification for that?

Mr. OGDON. I have never worked on that figure, Mr. Chairman.

The CHAIRMAN. Does anybody else here know anything about it?

Mr. NITZE. That was an allocation of agricultural machinery. It was estimated that only a very small percentage of their total imports

would be covered by ECA financing. That is why the figure was cut down.

The CHAIRMAN. The set-up here is 4,100 tons of agricultural machinery for imports and 22,500 tons of agricultural machinery domestic production. Do you know anything about that?

Mr. BECK. Mr. Ogdon has just testified on that.

The CHAIRMAN. Do you think that is somewhere near what they actually will have?

Mr. OGDON. They have had some shortages of supplies and I doubt if they make that. In fact, I think they are going to need a little more equipment than is indicated here. Purely from an agricultural point of view, I think they would want to buy more equipment than is provided for in this table.

The CHAIRMAN. They are supposed to produce considerable; are they not doing that?

Mr. OGDON. Not in tractors. It is anticipated that there will be good production of farm machinery there after another year or two.

Mr. NITZE. Their stated requirements for total supply is 69,000 tons in the Paris report, which is away above any figure that is here contemplated.

The CHAIRMAN. According to this, they have an available supply for 1947 of 61,600 tons. Is that anywhere near accurate?

Mr. OGDON. No; I do not think they had that much. I had a report on the industry in Belgium to the effect that Belgium hoped to industrialize greatly and to emphasize agricultural production less, to get away from grains and to push industrial production and also increase milk production in agriculture because of the urban requirements. That perhaps is very desirable from the economic point of view. But I think the estimate is a little too high for the industrial progress that they would make in the first part of this program. That is true of quite a few countries in western Europe. It is true of France. They cannot manufacture the number of tractors that they hope. Belgium does not have so much of its own steel. It has to get its steel from Sweden and Luxemburg, and used to get some from Germany.

The CHAIRMAN. If there is nothing to these figures, it is rather difficult for us to operate on them.

Mr. OGDON. We were not in on this work in Paris, of course. But there was perhaps some wishful thinking in Paris with respect to domestic production in Europe.

The CHAIRMAN. When you give us statistics for 1946 and 1947, I do not see any use in putting them down unless you have some idea that they are accurate.

Mr. NITZE. I do not think we should have put them down. I think it was a mistake to put them in, because they are not reliable enough to have in.

The CHAIRMAN. Is that true of the rest of the figures in this document on that particular item?

Mr. OGDON. I think they are worse on Belgium than for most countries.

The CHAIRMAN. Well, they were worse on Austria than on Belgium.

Mr. OGDON. I do not know. I think they are very bad on Belgium.

The CHAIRMAN. It is difficult to tell.

Let us turn to Denmark. Are the figures for Denmark any good?

Mr. OGDON. I am sorry, sir; I did not know you were addressing me.

The CHAIRMAN. I was addressing somebody; no one person specifically. I was just hoping to get an answer.

Mr. OGDON. They do not produce tractors in Denmark at all. The country has fairly large-sized farms, according to European standards and they are suitable for the use of tractors.

The CHAIRMAN. How large are the farms on the average?

Mr. OGDON. We prepared a table on that, Mr. Chairman, and it was supposed to have gone in the record. I believe you asked Mr. Northrup for the information.

The average size is 38.8 acres.

Mr. MAHON. This is figured in hectares.

The CHAIRMAN. A hectare is 2.5 acres. You mean that their small farms run an average of about 30 acres?

Mr. OGDON. That is the average. They have 64,000 medium-sized farms I would say of between 40 and 150 acres and 5,000 above 150 acres.

The CHAIRMAN. You say they have 64,000 farms running from 15 to 60 hectares, which would be from 40 to 150 acres?

Mr. OGDON. That is right.

The CHAIRMAN. Five thousand above 150 acres?

Mr. OGDON. I have talked to some Danish farmers and they have largely used horsepower. They have been pretty conservative in their agriculture and also efficient. But they can use tractors and the more progressive farmers are using them to advantage. So that there is a good market there.

The CHAIRMAN. You say there is a good market; on the other hand, it is a question whether we ought to be changing over their way of life; I do not know.

Mr. BECK. There is reported a shortage of animal feed there and a substantial farm labor shortage.

Mr. MAHON. Would there be any shortage of petroleum products? Are you able to testify on that?

Mr. BECK. That was not in our study.

Mr. WIGGLESWORTH. We are shipping a very large quantity of petroleum products to Denmark.

Mr. NITZE. I believe the testimony was that petroleum products would be short all over Europe.

Mr. BECK. I think they have given general farm machinery top priority for production.

The CHAIRMAN. Looking at this picture, I am wondering if there has been very much analysis given to it. Grain production, for 1946–47, is shown as 3,860,000 tons; prewar, 3,600,000; estimated 1948–49, 3,677,000, indicating no advance, no substantial advance in production; no substantial advance in meat production; no substantial advance in cheese production. There might be more fluid milk. That is about the only thing it possibly could be that they produce to great advantage, and pulses, if they do have them. And there you show a drop. You indicate this request for tractors without showing that they are getting anywhere. It does not seem to me that there has been any analysis given to this situation at all.

Mr. OGDON. Mr. Chairman, I did not make these tables, but we have gone farther than is indicated on the tables, I think, in getting information. Their grain production would be higher if they were not so short of labor. Labor in Denmark has moved into the peat bogs, because they are so short of fuel, and because there was good money digging peat. They have also migrated to other countries. Denmark is short of labor.

The CHAIRMAN. Their population has increased 300,000 or 400,000.

Mr. OGDON. Yes, but there is really a shortage of farm labor.

The CHAIRMAN. They had it before, did they not?

Mr. OGDON. Yes, but it is a matter of the fuel shortage and——

The CHAIRMAN. They have not gone up a great deal in the production of other things.

Mr. OGDON. Potatoes and pulses, I think.

The CHAIRMAN. These things do not show an increase.

Mr. OGDON. I do not think it all gets into the statistics, because a lot of the pulses are grown for subsistence purposes.

The CHAIRMAN. On their own place?

Mr. OGDON. Surely. Then they have increased their potato production, because they get a lot of calories out of that.

Mr. STEFAN. These figures are very deceiving, are they not?

Mr. OGDON. They are very much rounded. I do not know where they come from. I am sure that they would have to be pretty general.

The CHAIRMAN. It is difficult to tell what ought to be done if we do not have any basis on which to operate.

Mr. OGDON. I corresponded at length with our agricultural attaché there and I have talked with some Danes about it, and I am not sure that they can absorb 6,000 tractors a year. But certainly they need, I would say, 3,000 or 4,000 tractors.

Mr. CANNON. According to reports we had both Denmark and Sweden before the war received coal from Great Britain.

Mr. OGDON. Yes.

Mr. CANNON. Britain exchanged coal with Sweden for lumber and exchanged coal with Denmark for dairy and pork products. When English coal production dropped off, so that she no longer had any coal to export, it affected materially the economic situation in both Denmark and Sweden. They had to secure fuel elsewhere. So the necessity for digging peat which has drawn labor away from agriculture in Denmark is undoubtedly due in some degree to that situation, or is that correct?

Mr. OGDON. I think so.

The CHAIRMAN. You have here 1,500 tons of other agricultural machinery to go through ECA and total imports of 9,400 tons; domestic production of 14,500 as against a prewar figure of 4,000 tons imports, 14,000 domestic production; as against, in 1946, 4,300 tons total imports and 13,000 tons domestic production; in 1947, 6,100 tons total imports and 14,000 tons production.

Mr. STEFAN. I understood Mr. Ogdon to say that he had subsequent figures after conferring with the agricultural attaché in Denmark and Danes; that he cut this figure in half, is that true?

Mr. OGDON. I did not want to make any specific recommendation, but I say that they could use a lot of tractors there.

Mr. STEFAN. But they could not absorb this amount suggested, according to your subsequent information?

Mr. OGDON. I do not want to review these figures that way. But I think they could use several thousand tractors.

The CHAIRMAN. 2,000 or 3,000.

Mr. OGDON. I think they could use three or four from us.

Mr. BECK. They are planning 3,400 from the United States.

We have had the benefit of the services of one of the men from Denmark to talk with us about these requirements. One of the men who came to the conference was a Dane and he spent considerable time on foreign work for the Government and seemed to be pretty well informed about the situation. I believe the quality of the figures from Denmark are better than the average. They have kept more statistics than some of the countries have.

The CHAIRMAN. You think the statistics on Denmark are pretty good?

Mr. BECK. Yes.

The CHAIRMAN. Or should they be cut down some?

Mr. OGDON. I would not like to pass judgment on that question, Mr. Chairman. You see, I did not work on this budget.

The CHAIRMAN. You do not feel that you are able to pass on it then?

Mr. OGDON. I would be glad to talk about the agricultural situation and their ability to use tractors.

The CHARIMAN. But you do not know about the other. Does anybody have any judgment on this picture?

FRANCE

France is down as having had a prewar importation of tractors, 23,680; domestic production, 1,320, or a total of 25,000 available.

In 1946, imports, 8,000; production 1,400, total 9,400 available.

In 1947, imports, 11,500, production, 3,500, a total available, 15,000.

Does anyone know whether those figures are at all accurate?

Mr. BECK. We have an export figure on—import, 1947; total number of tractors from the United States alone, 10,264, to France. They show a total receipt of 11,500, total imports.

The CHAIRMAN. What about their production?

Mr. BECK. They have been stepping up their tractor production; it is pyramiding very rapidly; they show a considerable increase, and these figures will probably increase daily.

The CHAIRMAN. What about the 1946 imports; how many did we send them?

Mr. BECK. In 1946 we shipped a total of 7,906 tractors.

The CHAIRMAN. Are these figures fairly accurate? What about the prewar figures; do you know anything about that?

Mr. BECK. In 1939 we shipped them only 462.

The CHAIRMAN. They might have gotten some from Germany.

Mr. BECK. Germany was their principal source of supply prewar, and a part of their difficulty now is inability to get parts.

The CHAIRMAN. How many tractors did they have; do you have that?

Mr. BECK. We have a population, prewar, 33,000.

The CHAIRMAN. Thirty-three thousand?

Mr. BECK. Yes.

The CHAIRMAN. Maybe the figures are not too bad. You have got them set up for imports of 36,000; production of 18,000; are those figures anywhere near correct?

Mr. BECK. We have pessimistically assumed that those figures are, yes, but as reports come into us they claim they are getting production of tractors much closer to that total than we anticipated they would. It is undoubtedly on the upgrade.

The CHAIRMAN. Did you have anything on which the allotment of 21,150 out of ECA money should be made?

Mr. BECK. We had planned only 30,000 to come from the United States and Canada; as to the ones that would come out of ECA funds, Mr. Nitze would have to tell you.

The CHAIRMAN. What about that, Mr. Nitze?

Mr. NITZE. It was anticipated that some portion of this might be in the form of drawings on the Canadian credit due France, I believe, and the balance might have to be financed by ECA during this period—21,450.

The CHAIRMAN. What part of that would be grant, and what part would be loan?

Mr. NITZE. I believe, with respect to France, the assistance would be in part in the form of a grant, and in part in the form of a loan. I do not believe the Administrator has yet made a firm determination as to what items should be financed by grant category and what by loan, but this is close to the loan category, and there might be certain other items that are even more appropriate for the loan category.

The CHAIRMAN. Their agricultural production has not gone comparable with the addition of these items, and it is not anticipated that it will go up too fast.

Mr. OGDON. It might go up pretty well. They have had some bad crop years.

The CHAIRMAN. They had a good crop year in 1946.

Mr. OGDON. Yes, but in 1947 it was especially bad, as you recall.

The CHAIRMAN. Yes.

Mr. OGDON. They are short of draft animals—there was a decline of 18 percent compared with prewar; and, a lot of labor disappeared out of France during the war. I was across parts of France and I talked to our agriculture attaché in Paris. He indicated that there were meadows that might have been in cultivation and might have produced grains or other crops if they had had the labor or draft power; and also that they might have replanted following the winter kill last year, if they had had the machinery, just like we replant. It can be done a whole lot faster with tractors than with the use of oxen or horses. Their oxen supply has also gone down.

The CHAIRMAN. What about the agricultural machinery: Are the figures here as to the 25,000 accurate for imports, and 75,000 tons manufactured? Does anyone know anything about that?

Mr. BECK. Those figures should be reasonably good. Many of the figures on France we were able to check with the American firms having plants in France, and they check up pretty well.

The CHAIRMAN. They are set up for 29,200 tons on ERP program. What is the justification for that?

Mr. NITZE. That takes into consideration the need for financing.

The CHAIRMAN. Yes; but with 167,000 tons of production estimate, and 100,000 going in last year it is very evidently a way above the prewar figure.

Mr. NITZE. Their estimated requirements are 594,000 tons. This represents a very substantial scaling down of their estimates.

GREECE

The CHAIRMAN. I just do not quite understand the figures for Greece. They show agricultural-machinery imports prewar of 87,000 tons. That does not seem to sound reasonable, does it?

Mr. BECK. Our figures from Greece are about the worst we could get from any country.

The CHAIRMAN. You do not think the figures are any too good?

Mr. BECK. I think they are very questionable.

Mr. CANNON. How did Greece meet her balance of trade before? She does not produce any fish, and her agriculture seems to have been quite scanty; she had to import considerable food and materials. Do they have extensive exports of olive and vineyard products, or how is she meeting her balance of trade?

Mr. OGDON. They did produce, of course, dried fruit and tobacco and they had a lot of small shipping.

The CHAIRMAN. They had a lot of olive oil but their biggest item of earning was shipping.

Mr. MAHON. They shipped currants, I understand, and tobacco; dried fruits mostly to Germany, I suppose.

The CHAIRMAN. Yes, they did, and they shipped tobacco over here for cigarettes.

Mr. OGDON. And they sold some to Austria and some to Czechoslovakia.

Mr. MAHON. Mr. Chairman, I notice that none of these shipments to Greece are to be ECA financed.

The CHAIRMAN. That is their indication.

Mr. MAHON. Is that by reason of the fact that during the UNRRA days considerable machinery was shipped over there?

Mr. BECK. Their figure was not very many. We show 239 tractors altogether in 1947; 320 in 1946, and 54 in 1939.

Mr. MAHON. Does that include the UNRRA shipments?

Mr. BECK. Yes; these are the total figures.

Mr. OGDON. I have the total UNRRA shipments added up.

Mr. BECK. Yes.

Mr. OGDON. UNRRA, imports to Greece total 1,857 units, up to October 1947.

Mr. BECK. Was that machinery or farm machinery included?

Mr. OGDON. No: tractor units.

Mr. NITZE. Mr. Chairman, we sent a cable to Governor Griswold asking about UNRRA and received a reply in which he said that all of the tractors imported by UNRRA have been distributed and are in use by the mechanized services, mostly in agriculture.

The CHAIRMAN. That is better than you could report.

Mr. OGDON. That was not true a while ago. Of course, the UNRRA program is different from this program, in that the United States did not manage the UNRRA program entirely.

DIFFERENCE BETWEEN OPERATIONS OF UNRRA AND ECA

Mr. MAHON. I would like for the record to show here what is the difference between the two programs, the UNRRA program and the

way this program is to be operated. As I understand the UNRRA program, they said to Greece, "You need this and you need that"—that is, UNRRA said that—and we shipped the stuff over there without going through the regular channels of trade and without knowing in every instance that the material was needed. Now, what I would like to have very clear in the record is whether that is correct, because Congress was highly dissatisfied with the way UNRRA operated.

Mr. OGDON. We can prepare something on that. I do not know how much detail you want, but it is my understanding that if Greek farmers get tractors under ECA they will have to pay for them. The distributor in Greece will buy the farm machinery from perhaps the local manufacturer, or the distributor may be an importer, but the user will have to buy the machinery.

(The following was submitted later:)

The methods by which American farm machinery was procured and distributed to European countries under the UNRRA program and how it will be procured and distributed by ECA differ widely in several ways.

UNRRA requirements were set up by the individual countries and screened by field missions and by UNRRA headquarters in Washington. Then headquarters received allocations from combined boards. UNRRA made the purchases and shipped the equipment overseas. The foreign country which received the equipment took title at the point of unloading. From there the machinery was distributed, some to individual farmers and some was kept by the government for rental to large farms or groups of farmers. UNRRA machinery was an outright gift to the recipient country and its distribution was by government and quasi government agencies.

We expect that ECA farm machinery will be procured and distributed about as follows, which is significantly different from an UNRRA type program: Foreign farm machinery dealers, and, in some cases, representatives of American manufacturers, will present their requirements on the basis of orders on hand and their knowledge of the trade to their own appropriate government agency. If the requirement is in line with the country's need, it will be presented to ECA for approval. The Administrator consults with the National Advisory Council to determine if this type of transaction can be put on a loan basis. A further determination is made with the advice of the Department of Agriculture whether the United States economy can afford to export the equipment and whether it is suitable for the purpose for which intended and can be properly serviced and put to good use. If everything is in order, ECA will give approval, and the export license from the United States is granted.

The basic differences between handling of farm machinery under UNRRA and ECA are:

(1) UNRRA machinery was an outright gift to the country and in some cases to the individual farmer. ECA machinery may be financed by a loan and will be purchased by the user with his own money.

(2) Greater efforts will be made through ECA to determine the effect on American farmers of exporting the machinery in question, the fact that it is suitable for the purpose intended, and that it can be kept in running order.

(3) UNRRA farm machinery was procured by a quasi government agency while ECA material will flow through regular commercial channels.

DISCUSSION OF PRICE AND METHOD OF SALE OF FARM MACHINERY TO INDIVIDUALS UNDER PROGRAM

Mr. STEFAN. The farmer will have to pay for the machinery; the money will go into a separate fund. Now, does the unit price include the transportation costs, or what is the difference in the price that he pays and the wholesale or jobbers' price that the Government will pay with the money provided?

Mr. NITZE. The amount of local currency that has to be put up by the user?

Mr. STEFAN. Yes; does that include transportation?

Mr. NITZE. It includes transportation that is paid by us.

Mr. STEFAN. Do you show the transportation costs separately?

Mr. NITZE. We supplied some information to the chairman—and I believe each member of the committee received a copy—showing the unit price, showing the cost at the United States seaboard, and also the amount of shipping expense.

Mr. STEFAN. In answer to Mr. Mahon's question, does the farmer buy this tractor and pay the full price, then?

Mr. NITZE. Yes.

Mr. STEFAN. What is the original cost? Do we get a discount from the jobber or manufacturer's price or do we pay the retail price?

Mr. BECK. It goes through the agent of the American company who supplies it.

Mr. STEFAN. When the agent sells to the Government—he is selling to the Government, as I understand it—and at what price does he sell to the Government, at the manufacturer's or jobber's price, if the farmer, the Greek farmer pays the retail price for it? There are three prices there, you see, Mr. Nitze, which the farmer may have to pay.

Mr. NITZE. Yes.

Mr. STEFAN. And he is going to pay the retail price?

Mr. NITZE. He is going to pay the retail price.

Mr. STEFAN. The Government gets it at what price?

Mr. NITZE. The Government does not get it at all; the local distributor of the farm machinery in the local country——

Mr. STEFAN. Yes; but how much is the farmer going to pay when we furnish it to the Government?

Mr. NITZE. We furnish the money to buy with.

Mr. STEFAN. The Government buys if from where?

Mr. NITZE. The wholesaler over there buys it from the manufacturer here, and these figures——

Mr. STEFAN. And it gets the tractor at wholesale trade?

Mr. NITZE. And gets the tractor at wholesale trade.

Mr. STEFAN. And the farmer pays the retail price for it?

Mr. NITZE. Yes.

Mr. STEFAN. And the wholesaler gets a commission and a part of it goes into the local fund?

Mr. NITZE. Yes. The local currency is deposited; or, if dollars, it is converted into local currency.

Mr. STEFAN. So that if International Harvester or Massey has a representative over there, they would be selling through their own American firm, and there would be no difference in the price?

Mr. BECK. They are required to; they cannot discriminate in the price of export.

Mr. STEFAN. Of course, there would be a difference in the transportation costs, however.

Mr. BECK. They have the trade charge over there, and, of course, transportation.

PRICE OF NEWSPRINT PAPER

Mr. STEFAN. But it makes a lot of difference. Now, in the case of newsprint paper you are doing it differently. In the case of newsprint paper, you will buy over here at one price for domestic consumption and you will buy at another price for consumption overseas.

Mr. NITZE. I might say, Mr. Stefan, that we made a correction in that table in order to reduce the newsprint paper price to $100.

Mr. STEFAN. That ought to be told to the newspapers, because they have been complaining abuot it; some explanation should be made to the press, because the New York papers and the Wall Street Journal particularly carries a story about the United States Government having two different prices for newsprint paper bought over here and sent over there and that consumed here. The differential in price is what, $175 plus $100, or $200 plus $100?

Mr. NITZE. The price we hav now is $100 a ton, f. a. s.

Mr. STEFAN. Here is the statement from the Wall Street Journal:

> Marshall plan's projected purchases of newsprint raise some pointed questions. The $52,000,000 set aside for nearly 300,000 short tons for English newspapers and including a dribble for Ireland indicates a purchase price of about $170 a ton. But delivered price of this same newsprint is less than $100 a ton in New York City.
>
> Why the $170 price?

Apparently they have the same information that you have given to the committee; apparently the Wall Street Journal account is from the same informaation we have in these justifications. You say that has been changed?

Mr. NITZE. Yes; I called the attention of the committee to the fact that the figures we had, $200 a ton, should have been $100 a ton.

Mr. STEFAN. Then this story is wrong?

Mr. NITZE. That is correct.

Mr. STEFAN. But they did get it from your justifications?

Mr. NITZE. They got it from the brown book; I understand that the brown books were given to the press the very first day of these hearings.

Mr. STEFAN. Have there been any changes in farm machinery prices similar to this?

Mr. NITZE. No.

Mr. STEFAN. Then this matter has been explained. There is no use going further into it. We were talking about farm machinery and the jobber's price and manufacturer's price and retail prices. There was some error in the newsprint price.

Mr. NITZE. There was an error in the original computation. Newsprint is a very complicated thing, I understand.

Mr. STEFAN. I think, when you give out copies of the justifications and a change is made, that some official explanation should be made, because there is considerable reaction to the Members of Congress in this connection.

GREECE

The CHAIRMAN. With reference to the agricultural machinery figures for Greece· We would not supply that much to Greece?

Mr. NITZE. Our estimates assume that all the Greek agricultural equipment would come from other participating countries.

The CHAIRMAN. And be paid for, you say, through ECA?

Mr. NITZE. That is correct; but there is some doubt about this figure. There may be some place in the estimates for some amount.

Mr. BECK. They are bound to have spare parts for the machines, and it is not logical that there would be a zero requirement.

ICELAND

The CHAIRMAN. I see another item here that makes me wonder: 800 metric tons of agricultural machinery for Iceland, and 600 to be financed, ECA, with agricultural production so very low, presently and prewar. I am wondering how that comes about.

Mr. BRODELL. The figures for 1948–49 are wrong.

The CHAIRMAN. What should they be?

Mr. BRODELL. The total imports for 1948–49 should be 250.

The CHAIRMAN. Two hundred and fifty tractors?

Mr. BRODELL. There was none for import; and 400 for agricultural machinery.

The CHAIRMAN. Four hundred thousand tons of agricultural machinery.

Mr. BRODELL. The ECA finance should be 200 for tractors and 280 for machinery.

The CHAIRMAN. Why would they need that much?

Mr. BECK. We shipped to Iceland 239 tractors without the ECA financing. We shipped them 320 in 1946.

The CHAIRMAN. Three hundred and twenty?

Mr. BECK. Yes.

The CHAIRMAN. Why would they need that many? They never had many tractors before the war.

Mr. BECK. We shipped them one in 1939.

The CHAIRMAN. So that really this is new business for them?

Mr. BECK. They seem to like the American tractors.

The CHAIRMAN. Do they have agricultural production enough to justify that?

Mr. BRODELL. They have some, yes, small grains; not too much.

The CHAIRMAN. But your estimate in here shows a total production 15,000 tons. That would be just about enough for 30 tractors, something like that; I do not think it would require much more than that.

Mr. OGDON. Some potatotes.

The CHAIRMAN. They would not use tractors, unless it was the garden variety, for potatoes, would they? They might use them for the original plowing, but for harvesting they would hardly make use of tractors.

Mr. BRODELL. That is a less number than actually has been for the last 2 years.

The CHAIRMAN. I appreciate that, but this is not a farming nation and what would they be doing with them.

Mr. BECK. That figure is related to the number of tractor supply.

IRELAND

The CHAIRMAN. We have next Ireland; do you know much about those figures?

Mr. BECK. We sent Ireland only 404 tractors in 1947.

The CHAIRMAN. 404?

Mr. BECK. Yes, from the United States; we shipped them 225 in 1946, and only 29 in 1939.

The CHAIRMAN. They got them from somewhere else, if they got them.

Mr. BECK. I do not believe that Ireland had too much choice on where she could get a lot of things.

The CHAIRMAN. Mostly from Britain on account of the trade balance position.

Mr. BECK. That is right.

The CHAIRMAN. They have a very large number of small farms, and a comparatively small number of large ones, and it does not hardly seem they would need all of these that you have set up here.

Mr. BECK. The plan is to ship 500 tractors and 1,000 tons of agricultural machinery from the United States, only 25 percent over 1947.

The CHAIRMAN. How many tractors?

Mr. BECK. Five hundred; that is from the United States and Canada; most of them are supposed to be from the United States.

The CHAIRMAN. And 230 of those are supposed to be financed—of the machinery and the 230 tractors, all the machinery is to be financed by the ERP. Is that to be a loan or a grant?

Mr. NITZE. Probably it would be by loan.

The CHAIRMAN. Is there any justification for that volume? They have some local production and that local production in prewar was better than half of their consumption, and they have quite a considerable local production now.

ITALY

With reference to Italy, about how good are those figures?

Mr. BECK. We shipped, in 1947, 417 tractors; 545 in 1946.

The CHAIRMAN. Five hundred and forty-five?

Mr. BECK. Yes; and 91 in 1939.

The CHAIRMAN. They probably did not get many from us in 1939.

Mr. BECK. I would judge that Germany got most of that business.

The CHAIRMAN. How about the production; are those figures about right?

Mr. BECK. Italy is getting into the production of tractors.

The CHAIRMAN. She produced, according to this, 2,500 prewar; 1,600 in 1946; 2,300 in 1947—that is getting near the mark.

Mr. BECK. How much production did they get in 1947, Mr. Ogdon?

Mr. OGDON. I do not know the exact number; I understand they satisfied their demand, very largely.

The CHAIRMAN. Pretty well satisfied their demand.

Mr. OGDON. Yes.

The CHAIRMAN. You have an estimate here of production for the current year of 5,200, and it would seem that they are pretty well able to take care of themselves.

Mr. OGDON. One of the problems has been the price; the farmers have not had the funds to pay for what they wanted.

The CHAIRMAN. Italy has a lot of small farms.

Mr. BRODELL. Most of them would be garden tractors; I think practically all of the 1947 exports were of the garden variety.

The CHAIRMAN. Most of them will be garden tractors, most of their imports?

Mr. BRODELL. Yes.

Mr. BECK. Of the 1947 imports of 417 tractors, 409 were garden tractors.

The CHAIRMAN. And that is what the 600 would be, largely?

Mr. BRODELL. Yes, largely.

The CHAIRMAN. What about agricultural machinery: They show a prewar production of 40,000 tons; 1946 production, 24,000 tons, and 1947, 34,000 tons; and the estimate for 1948 is 46,000 tons.

The imports are given at 2,800 tons. It seems they are practically where they could be taking care of themselves.

Mr. BRODELL. That is true, but nearly every country is short of agricultural machinery, and short of production machinery, and they all need a lot of repair parts for American machinery which has already been sent over.

Mr. NITZE. This is a small percentage.

The CHAIRMAN. I appreciate that the percentage is small.

Mr. BECK. Less than 5 percent.

THE NETHERLANDS

The CHAIRMAN. According to this statement the Netherlands had 500 prewar imports, and no production; 2,000 in 1946, and no production; 1,000 in 1947, and no production; and the estimated imports for 1948 are 2,700, with 2,275 ERP financed. Are those figures anywhere near correct?

Mr. BECK. The Netherland figures are very much better than the average; we have found them to be more reliable than some of the others because apparently they were able to collect statistics in a more methodical manner than some of the other countries.

The CHAIRMAN. Is it necessary that we finance 2,275 of them?

Mr. BECK. We shipped them last year, without the benefit of financing, 1,107 tractors, of which 910 were wheel, 100 garden, and 97 were crawlers.

In 1946 we shipped them 806, of which 526 were wheel, only 106 garden, and 174 crawlers.

Mr. NITZE. Netherlands has a very low export to the United States.

The CHAIRMAN. But she has a very considerable export to other countries.

Mr. NITZE. Yes.

The CHAIRMAN. It may be that does not mean anything big to them other than dollars.

Mr. NITZE. It does mean dollars for them; and the estimated total dollars help will be $181,000,000 as against an estimated dollar requirement of a billion.

The CHAIRMAN. What about their farm machinery figures? They show a considerable production compared with their own requirements?

Mr. OGDON. They imported a great deal from Germany—about 70 percent from Germany, prewar. They got mowers, drills, balers, plows, separators—most of that type of machinery came from Germany. The Netherland agriculture deteriorated to a considerable extent during the war. They had a lot of their land flooded during the war, and they have a great deal of land that has to be cultivated that is in pretty heavy grass.

Mr. BECK. It was assumed that the Netherlands would want some heavy equipment to take care of the heavy soil, which requires heavy equipment in connection with their reclamation and land preparation for cultivation.

The CHAIRMAN. You have down here 5,000 tons to be financed through ECA; is that right?

Mr. BECK. 5,115.

Mr. NITZE. The total imports are very low in comparison with what they have been getting previously, and very low compared with their request of some 45,000. For 1946 their total imports were 16,400 of other agricultural machinery.

NORWAY

The CHAIRMAN. Norway is asking for 8,700 tons of agricultural machinery with a production of 1,100. Do they need that for their economy? Are they pretty well depleted? Their grain production is not very heavy.

Mr. BRODELL. That would give them very little machinery in relation to the total land area, crop lands.

The CHAIRMAN. They are down for 1,800 tractor units; prewar, 500, and the previous year 1,500, and 900 to be financed by ECA. How does that break down into kinds of tractors?

Mr. BECK. In 1947 they bought 675, of which 606 were wheel and only 45 garden, and 44 of the crawler type.

The CHAIRMAN. What did they do in 1946?

Mr. BECK. In 1946 they had 559 altogether, of which 538 were wheel, 11 garden and 10 crawlers.

In 1939 they got 664, total, of which 632 were wheel, no garden, and 32 crawlers.

The CHAIRMAN. They are down here for 1,800, 1949; that is the over-all imports, with 900 of them ECA?

Mr. BECK. Of the 1,800, 1500 would come from the United States.

PORTUGAL

The CHAIRMAN. Portugal seems to have had imports of 800 prewar. I do not believe they are down for ECA.

Mr. BECK. 103 shipped from United States in 1939.

The CHAIRMAN. What did they have in 1946 and 1947?

Mr. BECK. For 1947, 176, total: 56 wheel, 42 garden, and 77 crawlers.

The CHAIRMAN. What about 1946?

Mr. BECK. 59, total: 26 wheel, 2 garden, and 31 crawlers.

The CHAIRMAN. One thousand would be quite a considerable amount for them to get? However they are paying for them, and we do not need to bother too much about that here.

Nine thousand and four hundred tons of other agricultural machinery is set up here, and we will pass over that.

SWEDEN

Sweden: How many tractors did she get from the United States in 1946 and 1947?

Mr. BECK. In 1947, 4,219.

The CHAIRMAN. Four thousand two hundred and nineteen in 1947?

Mr. BECK. Yes, of which 3,702 were wheel, 297 garden, and 220 crawlers.

In 1946, 2,360; wheel, 2,089; garden, 116; crawlers, 155.

In 1939, 3,472, total, of which 1,181 were wheel; no garden; and 291 crawlers.

The CHAIRMAN. The figures in here, on this table, were not much good. What about the domestic production of 2,750? Are those figures anywhere near correct?

Mr. BECK. I have no check on that.

The CHAIRMAN. You have no check on that figure?

Mr. BECK. But they are a mechanical nation, and it would be only logical that they could make some.

The CHAIRMAN. They are set down here as having 6,000 total imports.

Mr. BECK. Five thousand and six hundred from the United States.

The CHAIRMAN. Five thousand and six hundred from here?

Mr. BECK. Yes.

The CHAIRMAN. They seem to have been a regular customer in days gone by. They are down for imports of 6,500 tons of agricultural machinery.

Mr. BECK. With 6,000 from the United States and Canada.

The CHAIRMAN. They are set down for 46,000 production, according to this statement? Is that anywhere near the mark?

Mr. BRODELL. They are the second biggest exporter in Europe, and export a lot of machinery.

SWITZERLAND

The CHAIRMAN. How much did Switzerland get in 1947 and 1946?

Mr. BECK. Three hundred and fifty-two in 1947, of which 258 were wheel, 31 garden, and 63 crawlers.

The CHAIRMAN. And how much for 1946?

Mr. BECK. Shipments 151: Wheel, 121; garden, 2; and crawlers, 28.

In 1939 we shipped them 59 total: 41 wheel, no garden, and 18 crawlers.

The CHAIRMAN. Do they have any production?

Mr. OGDON. I rather think they do not produce many tractors; they produce some parts, and some machinery, but in Switzerland I remember seeing principally German and American tractors.

The CHAIRMAN. You have down there 800 imports, which is an increase beyond what they ever had before.

Mr. OGDON. They will probably have to pay for them.

The CHAIRMAN. Then we won't try to pass on that.

TURKEY

For Turkey, I guess they have the farms already. You do not know anything about that?

Mr. NITZE. The Turks feel the major contribution they can make to European recovery is to increase their grain production.

The CHAIRMAN. That probably is so.

Mr. OGDON. They are short of agricultural machinery.

Mr. BECK. At the present time, they have 1 tractor to 15,000 farm people.

The CHAIRMAN. Their grain production is about the same as prewar.

Mr. OGDON. The difficulty will be to supply the type of equipment they want, because their soil is very hard and they have to plow when

it is dry, and they wear the rims off the wheels of the disk plows. So that we have to send them our very heaviest types of disks and equipments to go with the heavy tractors, and, of course, those are in short supply in the United States. But, as the other witnesses have said, they no doubt can use the equipment to advantage.

UNITED KINGDOM

The CHAIRMAN. What can you tell us about the United Kingdom picture? Are these figures fairly dependable?

Mr. OGDON. I believe their imports of tractors were pretty high in 1947.

Is not that correct, Mr. Beck?

The CHAIRMAN. What did you send them?

Mr. BECK. Only 1,702 in 1947, of which 1,041 were wheel, 2 were garden, and 659 were crawlers.

The CHAIRMAN. What did you do in 1946.

Mr. BECK. Total, 261; 104 wheel, 2 garden, and 155 crawlers.

In 1939, the picture is very different, however.

The CHAIRMAN. How much?

Mr. BECK. Total 5,355; 4,464 wheel, no garden, and 891 crawlers.

The CHAIRMAN. How about their own production? Is it probable they produced 30,000 tractors in 1946 and 60,000 in 1947?

Mr. BECK. At the time this was made up, they may have been up to that.

Mr. BRODELL. I think they did.

The CHAIRMAN. Do they expect to do 90,000 in 1948?

Mr. BECK. They claim to be up to their schedule of increase.

Mr. BRODELL. They may even produce more than that in 1948.

The CHAIRMAN. They really do not need much from the outside.

Mr. BRODELL. No. The only thing they are getting is the types of tractors they do not produce over there.

The CHAIRMAN. What about the farm-machinery picture?

Mr. BRODELL. That is pretty much the same picture as the tractor picture. They get combines and things like that, of which they have no domestic production.

The CHAIRMAN. That is about all they are getting?

Mr. BRODELL. That is right.

GERMANY

The CHAIRMAN. Are these figures anywhere near the mark for Germany?

Mr. OGDON. No; it does not look as though the 1947 figure is near the mark.

The CHAIRMAN. What can you tell us about that? They did not get any tractors except what we sent them, did they, and maybe what Britain sent them?

Mr. BRODELL. They did not get any imports at all in 1947.

Mr. BECK. We show no imports in 1946 and 1947 and very little in 1939.

The CHAIRMAN. Is there any use of sending tractors over there?

Mr. OGDON. Not after they get their industry going.

The CHAIRMAN. They produce tractors enough to take care of their own requirements ordinarily, or they used to, anyway; did they not?

Mr. OGDON. That is right. It is estimated their tractor production may be 16,000 units a year after the industry is restored, but their bottleneck is in supply.

Mr. BECK. Their factories are in bad shape, too, physically. A lot of them still have no roofs on them.

The CHAIRMAN. Do they have any production at all?

Mr. OGDON. A little bit. They are producing some plows.

The CHAIRMAN. But no tractors?

Mr. OGDON. They are repairing some tractors, but if they are turning out tractors it is very small amounts daily. One of our American manufacturers did have a plant there.

Mr. BECK. That was International Harvester.

Mr. OGDON. Yes; and they tell me it is in very bad shape and they are not operating but about 10 percent, perhaps.

The CHAIRMAN. Do we need to send 2,300 over there?

Mr. BECK. I do not believe originally the bizonal authorities wanted us to ask for any. It was a question of the use to which their factories will be devoted. They will not be able to make the spare parts that are needed practically all over Europe to put German-made machinery back into operation. So it looked like many more tractors would be put into use in Europe if the Germans imported some from here. Originally it was only intended to use what they could make themselves.

Mr. STEFAN. Perhaps the colonel can tell us about that.

Colonel BLUMENFELD. I know what their plan is. They plan to make 40,000 tractors in 1948 and 1949, and they plan to make a considerable amount of hand tools and farm equipment, but I do not have the actual production now. I hope to have that in a cable to come back from General Clay. They have been making some things, and I notice here in the last export report that they have exported some of those items in the last 2 months to other countries of Europe.

The CHAIRMAN. Are there any further questions on tractors and general agricultural machinery? If not, we will go to the coal-mining machinery.

COAL-MINING MACHINERY

Mr. WIGGLESWORTH. I understand this item of coal-mining machinery is a portion of the item 47, which is entitled "Other machinery."

Mr. WILCOX. That is right.

Mr. WIGGLESWORTH. Do you have any table in terms of availability for coal-mining machinery?

Mr. WILCOX. At the bottom of that same page I gave you are the percentages of the total program 1948–49 which we figured up dollar-wise. We did not realize this figure of $81,000,000 would be broken down that way for the first period.

Mr. WIGGLESWORTH. This table you have given us does not show a total production for this country, does it?

Mr. WILCOX. No, sir. The second table does for the whole program.

Mr. WIGGLESWORTH. Well, the table I am asking you if you have it is a table which shows production, imports, total supply, domestic needs exports, to all countries and to ERP countries.

Mr. WILCOX. Mr. Chairman, this type of information is not available specifically for these items, but I have selected some of the

items on which I have that information. Those, unfortunately, are not the same as the basic figures, because they are ECO figures instead of ECA figures.

Mr. WIGGLESWORTH. If we are going to take up this item separately, it seems to me we ought to have some statement along the lines I just suggested, comparable to what we have had with respect to other items.

Mr. NITZE. I think it might be helpful if Mr. Wilcox could give the over-all picture as to what is included in this statement.

GENERAL STATEMENT

Mr. WIGGLESWORTH. Do you have a general statement as to that, Mr. Wilcox?

Mr. WILCOX. These programs are essentially an extension of the WPB program to expend coal production. They are quite technical, because of the highly specialized nature of the work, and this was really a combination of extensions of the series of programs set up originally by WPB in order to expand coal production, both underground and surface, first, in order to obtain coal for the invasion, and, secondly, to get the French, Belgian, and other mines after VE-day back into production as rapidly as they could, because of the importance of coal not only for the health and welfare of those countries but for their utilities, transportation, and so forth.

The CHAIRMAN. You have been on that program all that time?

Mr. WILCOX. I have, sir.

PROGRESS OF COAL PRODUCTION IN VARIOUS COUNTRIES

The CHAIRMAN. Tell us of its progress to that date.

Mr. WILCOX. I think the French and Belgian mines have been very successful, although there is still plenty of room for improvement, first, probably, because of the need for technical advice, and, second, the shortage not only of manpower but of food, housing, and all of those problems.

I think probably the British production is not favorable, and there, again, it is a combination of technical reasons as well as labor difficulties and other problems related to the situation in general in the United Kingdom.

The CHAIRMAN. You mean it has been impossible to get coal-mining machinery set up in the United Kingdom to any substantial extent?

Mr. WILCOX. To an extent which we in this country would think desirable. That is true.

The CHAIRMAN. You really have gotten only a couple of mines equipped—not much more than that?

Mr. WILCOX. A little more than that.

The CHAIRMAN. Well, that is about it. I was there.

Mr. WILCOX. The difficulties are a combination of a lack of technical ability and a lack of adaptation of American equipment and methods to their mining. It is a combination of technical problems and equipment.

That is a pretty long story to try to cover in a few moments.

The CHAIRMAN. What is the progress in France and Belgium?

Mr. WILCOX. Very satisfactory. In France, I think the production of equipment has been very satisfactory. I think France was 128 percent of their prewar production, despite the continued labor shortage, food shortage, housing and transportation shortages.

In Belgium it is about that, and in Holland it is even better.

The CHAIRMAN. The German picture has not yielded to this sort of thing?

Mr. WILCOX. It has not been tried in the same way.

The CHAIRMAN. You have not tried it?

Mr. WILCOX. It has not been tried effectively.

The CHAIRMAN. What does that mean?

Mr. WILCOX. There are two ways in which, technically, the German mines could be expanded substantially. One would be to encourage German engineers in the use of German equipment and techniques; the other would be to bring in American techniques, insofar as they are applicable, or perhaps a combination of both would be much better.

The CHAIRMAN. Do they have German machinery for this particular purpose?

Mr. WILCOX. For some of their properties, they have proved very successful, but only to a limited type of property. They need some American machines. There is no doubt the German machines could also be expanded—not only the production of machines but the production of coal—in other properties where those machines could be used, which is very important.

The CHAIRMAN. You mean some of those machines might work better in England than ours?

Mr. WILCOX. That is, sir, a great controversial question. It has been discussed, but I think that may not be true. There are a few sites in England where I think the German machines would be successful.

The CHAIRMAN. There are a few?

Mr. WILCOX. There are a few. But the British difficulty is transportation.

The CHAIRMAN. The difference is in the types of mines they have to deal with?

Mr. WILCOX. Yes.

The CHAIRMAN. And the shapes of the veins?

Mr. WILCOX. And the thinness and the depth and the transportation system. The British are stopped by their transportation system and the difficulties of improving it. They would not be able to use the high-capacity German machines, because they could not get the coal away if they did mine it.

The CHAIRMAN. In other words, the veins are so thin that they cannot use it?

Mr. WILCOX. The openings are so thin.

The CHAIRMAN. The openings have not been developed as they went along?

Mr. WILCOX. Not on that scale.

The CHAIRMAN. In such a way as to allow the ready movement of the coal?

Mr. WILCOX. On that scale, the large-capacity machines do not function. They cannot get the stuff away from the face at the rate they mine it.

The CHAIRMAN. And the enlargement of those openings would be an elaborate job?

Mr. WILCOX. It certainly would.

The CHAIRMAN. And might be impossible?

Mr. WILCOX. The whole thing should be reengineered, possibly—new openings made and entirely new operating sites. But that is a pretty complicated question, too, and the British might not like it.

VALUE OF EQUIPMENT UNDER PROGRAM

The CHAIRMAN. How much money is involved in this job?

Mr. WILCOX. The amount from the United States, the amount of equipment to come from the United States in this first 15 months period is only 81.9 million dollars, but the total program of the whole period is approximately $207,000,000.

The CHAIRMAN. $207,000,000 to go into the whole of this ERP set-up?

Mr. WILCOX. Yes.

The CHAIRMAN. Mostly for Britain, France, Belgium, and perhaps Germany?

Mr. WILCOX. Luxemburg, Belgium, Holland, the Netherlands, and Germany. There is a trickle to other countries, but very slight.

There is one more point, that is, the total production of machinery, which is much more important. This figure we gave you is only about 5 to 6 percent of the total production of machinery necessary for the rehabilitation of the coal machinery program of these countries. They are going to produce the most of thier machinery locally, themselves, according to their plan. In other words, the part coming from the United States runs 5 to 6 percent.

RATES OF UNITED STATES PRODUCTION TO REQUIREMENTS OF PARTICIPATING COUNTRIES

Mr. WIGGLESWORTH. I do not understand table 4, where you have, for instance, scraper conveyors, 24.3 percent of the United States production; coal cutters, 22.5 percent; loaders, 44.4 percent; and belt conveyors, 182 percent.

Mr. WILCOX. That has very definitely been found to be erroneous—the original requirements—and at present there is a task committee investigating belting requirements at Geneva now, and they have indicated those figures should be substantially reduced, probably by one-third, but they have not come in with a final figure.

Mr. WIGGLESWORTH. That would make it 120 percent of our production?

Mr. WILCOX. That is right. And even then there are other reasons to believe that production in Europe may be greater for this rubber belting and our production was greater than the original estimate.

Mr. WIGGLESWORTH. Does this column 4 indicate the percentage of United States production percentages which are to be shipped?

Mr. WILCOX. Except for that last figure, which should be corrected; yes, sir.

Mr. WIGGLESWORTH. And how does this compare with what we have been doing?

Mr. WILCOX. They are quite similar. I can give you some figures but only for some items. Unfortunately, there are no total figures. But here is an important item in the thing—coal cutters. I think an expansion of production of these machines from a manufacturer's point of view is not difficult as the production of these items is very elastic.

DISCUSSION OF COMPARATIVE STATISTICS ON PRODUCTION AND EXPORTATION OF COAL MINING EQUIPMENT

Mr. WIGGLESWORTH. You indicate several footnotes in this table, but there are no footnotes on the table. Do not you have any statistics to show our production in 1946–47 or 1947–48 which would show the production and the percentage which we have exported in those years?

Mr. WILCOX. Not for the total figures. That is why I tried to get these figures together insofar as I could on these items, and here is the program for 1946 that WPB set up [submitting].

Mr. WIGGLESWORTH. Table 4 speaks in terms of 1945–6, does it not—the United States production in 1945–6?

Mr. WILCOX. I copied those from a table, and I am not sure what the sources of those are.

Mr. WIGGLESWORTH. It seems to me you ought to be able to give us some comparison year by year with what we are required to do under this program. That is not afforded, as I read this table 4.

Mr. BECK. That is not 1945–46. That "6" is a footnote. That is the United States production in 1945, which was the last year for which the production figures were gathered. Actually, the United States production has increased very greatly since 1945, so that those requirements in percentage of United States production, if we had the actual production figures, would be very much smaller than they are there.

Mr. WILCOX. The figures from which we obtained these have been discontinued.

Mr. WIGGLESWORTH. Have you any export figures for 1946, 1947, and 1948?

Mr. BECK. There is only one item for which export statistics are gathered and that is the item of coal cutters.

Mr. WIGGLESWORTH. You have given us 1945 production figures in column 2, as I understand it. In column 3 you have given us the percentage of those 1945 requirements which are called for under the ECA program in 1948–49, is that right?

Mr. WILCOX. That is right.

Mr. WIGGLESWORTH. But you do not give us any comparative figures as to exports for 1946, 1947, or prewar, or any other comparative yardstick.

Mr. WILCOX. Except for one item, coal cutters, those figures are not available. The reason these are available is because they are part of the WPB statistics at that time.

Mr. WIGGLESWORTH. Then there are no available figures as to the exports of any of these items?

Mr. WILCOX. Except coal cutters which I think I gave you. That is the only official statistic that is available on this group, which are a specialized type of machinery.

Mr. WIGGLESWORTH. The item for coal cutters for 1947—and the figure is given with a footnote 1, whatever that is; it does not show—that item shows exports to Europe of $1,620,000.

Mr. WILCOX. That is for 9 months.

Mr. NITZE. You will find that same table on page F–44 of your book of justifications with the footnote in it.

Mr. WILCOX. The table on F–43 is also in that group that I gave you.

DOMESTIC PRODUCTION OF COAL MINING MACHINERY IN PARTICIPATING COUNTRIES

The CHAIRMAN. On page F–43 you have table 4. In this other table you have total domestic production, total imports; what does imports mean there—into the United States?

Mr. WILCOX. That is domestic production in the participating country.

The CHAIRMAN. Is that coal production?

Mr. NITZE. That is coal-mining equipment.

Mr. WILCOX. Coal mining machinery production in the participating country.

The CHAIRMAN. You do not mean that they produce in these countries $856,000,000 of coal mining machinery?

Mr. WILCOX. They propose to do that, sir.

The CHAIRMAN. That is what they propose to do.

Mr. WILCOX. Yes, sir.

Mr. BECK. It is estimated that their prewar production was from $650,000,000 to $850,000,000. That included all types of mining machinery, a very little bit of which is what we call specialized mining machinery in this country, such as coal cutters, loaders, and so forth.

ESTIMATES OF FUTURE IMPORTS OF COAL-MINING MACHINERY BY PARTICIPATING COUNTRIES

The CHAIRMAN. Referring to table 1, imports the first year—that is, 1948–49 are 171.9 million dollars; and the second year 124.9 million dollars?

Mr. WILCOX. That is for the participating coutries.

The CHAIRMAN. But those are over-all imports?

Mr. WILCOX. That is right.

The CHAIRMAN. 98.2 million dollars in 1950–51; and 88.5 million dollars in 1951–52.

Mr. WILCOX. That is right.

The CHAIRMAN. And all of this 81.9 million dollars is from the United States in 1948–49?

Mr. WILCOX. That is right.

The CHAIRMAN. And these same countries are supposed to be exporting $111,000,000, of which $90,000,000 goes to other participants and $21,000,000 to outsiders?

Mr. WILCOX. Yes, sir.

The CHAIRMAN. And the exports that they will have in the days to come shrink very rapidly, according to this.

Mr. WILCOX. Yes, sir.

The CHAIRMAN. As these particular countries are supposed to get to the point where they can do their own job; is that it?

Mr. WILCOX. That is it.

BREAK-DOWN OF REQUIREMENTS FOR COAL-MINING MACHINERY, BY COUNTRIES, UNDER PROPOSED APPROPRIATION

The CHAIRMAN. Is there a break-down of the $81,000,000 that the United States is putting up, so that you can tell us what it is; or can you tell us what it is?

Mr. WILCOX. Yes, sir. I think there is a table, table 3, which gives you the type of general classifications of equipment.

The CHAIRMAN. That is only 52.4 million dollars; is it not?

Mr. WILCOX. The reason for that is that only the principal coal-producing countries are given. It is not for all the countries. That information came from the ECO organization in Europe. That is more accurate than the original figures.

The CHAIRMAN. These are the ECO estimates of the requirements?

Mr. WILCOX. That is right.

The CHAIRMAN. And they would compare with the figure $171,000,000 which appears on table 1?

Mr. WILCOX. More properly the 81.9 million dollars.

The CHAIRMAN. Estimates of import requirements of Belgium, France——

Mr. WILCOX. From the United States.

The CHAIRMAN. The 52.4 million dollars would take the place of 81 million dollars?

Mr. WILCOX. That is right; for these countries.

The CHAIRMAN. For this purpose?

Mr. WILCOX. That is right.

The CHAIRMAN. And 42.2 million dollars would take the place of 52.7 million dollars?

Mr. WILCOX. That is right.

The CHAIRMAN. And 28.6 million dollars would take the place of 37.6 million dollars?

Mr. WILCOX. That is right.

The CHAIRMAN. And 24.8 million dollars would take the place of 34.5 million dollars?

Mr. WILCOX. That is right.

The CHAIRMAN. Why would it not be advisable, if we are going to have the information in that form, instead of putting table 1 in the record, to revise it so that it would jibe with table 3? I do not like to put in too many different kinds of tables.

Mr. WILCOX. Table 3 is not complete as to countries.

The CHAIRMAN. Neither is the other. Suppose you fix up table 1 so that it shows the sum of table 3 figures. Then you have something that will give us a showing of what we are considering at the present time, instead of something else.

Mr. NITZE. I believe table 1 covers all the participating countries including bizonal Germany.

The CHAIRMAN. This leeavs out bizonal Germany. Table 3 leaves out bizonal Germany.

Mr. NITZE. Table 3 does not cover all the countries and it is estimated that the countries left out of table 3 will require approximately $30,000,000, of which the largest part is for bizonal Germany and a small dab for Greece.

Mr. WILCOX. There is $49,000,000 provided for bizonal Germany.

Mr. BECK. The ECO figures include Poland, which is not a Marshall plan country.

Mr. NITZE. But that is not in table 3.

The CHAIRMAN. Then table 3 is not of any use to us. It is just confusing.

Mr. BECK. It is more accurate for those countries listed on table 3.

The CHAIRMAN. Perhaps we had better put these tables in the record.

What does table 2 show—the requirements over 4 years or 5 years?

Mr. WILCOX. That is right. These are ECO figures.

The CHAIRMAN. What is table 4?

Mr. WILCOX. The principal kinds of equipment, which are specialized underground coal-mining machinery.

REQUIREMENTS FOR BELT CONVEYORS

Mr. WIGGLESWORTH. There ought to be some explanation of the final item here. It indicates that we are going to supply 182 percent of our production. The footnote says:

> It is considered in the conveyor manufacturing industry that facilities can be so arranged as to take care of the ERP demand for coal mine conveyors without harm to domestic interests.

Mr. WILCOX. There is quite a long story behind that. It is not as bad as it looks. But the picture is completely changed and we do not have the more recent figures.

Mr. WIGGLESWORTH. Something ought to be put in the record to take care of that.

Mr. WILCOX. Yes, sir.

The CHAIRMAN. If table 1 is wrong, you had better correct it when it is put in the record. How is it wrong; do you know?

Mr. WILCOX. We think there should be further information, more specifically on the actual requirements, which we know are not accurate in this table. They were wrongly stated by the participating countries.

Mr. BECK. They have repudiated those figures saying apparently that they were made by the manufacturers' sales departments rather than the production departments. They have overstated the demand and understated the expansions in production over there. Actually some of the orders already placed with American companies for belting have been canceled and they expect to be able to make a great deal more than they originally anticipated—two-thirds of their total requirements.

Mr. WIGGLESWORTH. That means that we will not be called on to put up $2,458,000 for belt conveyors?

Mr. BECK. They will be buying conveyor parts from us to a greater extent than they anticipated and less belt.

Mr. WIGGLESWORTH. But we will not be required to put up $2,458,000 for that purpose; will we? That represents 182 percent of our production.

Mr. BECK. I believe we can give you a more detailed picture of that, which is being prepared.

Mr. WILCOX. There are bound to be different requirements. We do not know what they are, though.

Mr. WIGGLESWORTH. They are bound to be less?

Mr. WILCOX. They are bound to be less, because they are overstated. There is no question that that should be corrected downward, but we do not know just how much.

The CHAIRMAN. What would you say?

Mr. WILCOX. I would say by at least one-third. That is sticking my neck out a little.

Mr. WIGGLESWORTH. If you say one-third, you are still going to have left more than our total production.

Mr. WILCOX. They are also able to produce more over there. I think the requirements are overstated to such an extent that they can be reduced one-third. I cannot say what the production of belting will be in Europe. That is the other factor which is not known.

Mr. WIGGLESWORTH. You have obviously got to go down to 100 percent.

Mr. BECK. These are 1945 production figures on which that 182 percentage figure is based. Our own production has also increased.

Mr. NITZE. On these items there is a good deal of flexibility as to the amount that can be produced; is that correct?

Mr. WILCOX. Yes.

Mr. BECK. It depends on the production run and the efficiency of your presses.

Mr. NITZE. United States industry might take care of the present requirements. The production was less in 1945, however.

REQUIREMENTS FOR LOADERS

The CHAIRMAN. What about the loaders item? That comes down, too; does it not?

Mr. WILCOX. No, sir. The manufacturers are quite emphatic that our production is so elastic, assuming steel is available, and so forth—which is uncertain—that they can meet these items so far as production is concerned.

The CHAIRMAN. That is a $2,000,000 item and you are asking for 44 percent of our total production. They really do not need that much, do they?

Mr. WILCOX. I would certainly not agree that they do not need it, sir.

The CHAIRMAN. They would do pretty well even if they did not get all that; would they not?

Mr. WILCOX. In view of the importance of coal production, I would not want to agree that that should be cut, sir.

REQUIREMENTS FOR SCRAPER CONVEYORS

The CHAIRMAN. What about the other item of scraper conveyors where the program is to use 24 percent?

Mr. WILCOX. There again the manufacturing capacity in this country is quite elastic. I think the manufacturers would have no difficulty in meeting the amount. They have said that themselves.

The CHAIRMAN. The coal cutters item is $1,000,000. There is a question as to whether they would use them if they got them; is there not?

Mr. WILCOX. I think it would be quite a mistake not to give them the coal cutters they can use, if they are going to get production there.

The CHAIRMAN. But they would not use more than half that, if they got it?

Mr. WILCOX. If the job were engineered properly, if they got the proper technical advice and organization over there to do it, I think they could use all the stated requirements.

The CHAIRMAN. But they probably would not use more than half of it.

Mr. BECK. They have been getting 95 percent of our exports which amounted to nearly $2,000,000. Europe has been getting 95 percent of that. I think that figure is low.

Mr. WIGGLESWORTH. How do you know that? I thought there were not any figures available.

Mr. BECK. On coal cutters we do have figures available.

Mr. BASSIE. There is a table on coal cutters, table 5, at page F–44.

Mr. WILCOX. This is merely a continuation in somewhat the same form of two programs that were set up by the War Production Board which went through quite an engineering job of deciding what was needed in the way of equipment to expand coal production in Europe. These programs are much the same, but there is still a great deal of engineering and development work of that sort to be done. This was not an entire success. If you are going to expand coal production over there, this engineering work should be done, and there should be a real job of development and engineering over there, on a technically sound basis.

BREAK-DOWN OF REQUIREMENTS FOR COAL-MINING MACHINERY BY COUNTRIES UNDER PROPOSED APPROPRIATION

Mr. NITZE. Mr. Chairman, I think I can reconcile table 1 and table 3, if you would like me to do so.

The CHAIRMAN. Very well.

Mr. NITZE. The additional countries which would receive coal-mining machinery from the United States, in addition to Belgium, France, Netherlands, the United Kingdom, and the Saar are the Bizone, with $28,000,000 worth; Austria, with $500,000 worth and Turkey with $1,000,000 worth, which totals the $81,900,000, which is in table 1.

MONDAY, MAY 3, 1948.

RESPONSIBILITIES OF DEPARTMENT OF COMMERCE UNDER ECA PROGRAM

STATEMENTS OF HON. WILLIAM C. FOSTER, ACTING SECRETARY OF COMMERCE; DAVID K. E. BRUCE, ASSISTANT SECRETARY OF COMMERCE

The CHAIRMAN. We have with us today Acting Secretary of Commerce, William C. Foster. Would you like to make a statement to the committee, Mr. Foster?

GENERAL STATEMENT

Mr. FOSTER. If I may, Mr. Chairman and the members of the committee.

We in the Department of Commerce have cooperated with the other departments in the preparation of many of the data which have

been presented to you already in this hearing. In the preparatory stages of the work, we also cooperated in the development of the general program.

In this testimony I shall limit myself to those parts of the program which affect either the responsibilities of the Department of Commerce or those portions of the estimates with which our staff has worked. I wish to comment first on the general level of the amounts requested, and its impact on the United States. Second, I shall summarize the impact of requirements in certain major categories, namely, iron and steel, freight cars, agricultural machinery, coal-mining machinery, petroleum-industry machinery and equipment, and electrical equipment.

The estimate of 5.3 billion dollars is the product of a long chain of appraisal both as to objective and as to detailed requirements and availabilities. The executive branch, in successive stages of analysis and revision, has constantly made changes in the detail of commodity and country requirements, but has found no basis for reducing the over-all program. The experience of the President's Committee on Foreign Aid and of the Congress was essentially the same. Each found individual items that could be eliminated or reduced. Each found other items, or factors such as increasing prices, that increased the total.

There is little I can add to the vast job that has already been done along these lines. I do not have extensive personal knowledge of conditions in Europe but I have had the benefit of the judgment and experience of many who are well informed in these matters, including the members of the President's Committee on Foreign Aid. I have also learned much through these months as Under Secretary of Commerce during which I have been in close contact with many of the problems involved in European recovery. I am personally convinced as a result of this intimate contact, that the amount of the request is thoroughly justified.

The present figures represent the compromise between the amounts the responsible governments of the participating countries felt they could use and our appraisal of the amount which could be wisely used and safely taken from the American economy. There seems to me no question of the need for goods in the volume called for. Needs alone actually go beyond what anyone could contemplate providing. The specific amount of the request comes rather from what we shall be able to supply and from consideration of what the impact of supplying those things will have on our economy. It is primarily to these points that I direct my remarks.

The impact of this foreign-aid program on the American economy—leaving for discussion later its effects upon the demand for individual commodities—can probably best be measured in relation to the prospective net export surplus. This surplus measures the net amount of goods and services produced in this country—and which thus generate income and purchasing power—but which are not available for home consumption. If the program of the Foreign Assistance Act of 1948 is carried out in full, it appears probable that the export surplus in the year ahead will not exceed $10,000,000,000.

In the calendar year 1947, our export surplus of goods and services amounted to 11.3 billion dollars. This large surplus was made possible, in part, by United States Government aid of 5.8 billion

dollars, but in addition foreign countries used almost 5 billion dollars of their own gold and dollar assets to finance their purchases here. Their assets have been drastically reduced, and it seems that they will not be able to employ more than a billion in this manner in the year ending March 31, 1949.

Thus, the funds requested will not increase the foreign demand for our output over the 1947 rate; on the contrary, the total export demand will remain somewhat less, especially in comparison with the peak exports of a year ago. At the same time, it seems reasonable to assume that our national output will be higher than in 1947. Additions to the labor force and large investments to expand plant and equipment, combined with increases in productivity stemming in part from the elimination of certain bottlenecks in production, should insure this result.

The CHAIRMAN. I suspect you are referring to coal?

Mr. FOSTER. A coal strike, of course, Mr. Chairman, would interfere with those expectations; if we had a lengthy strike in a basic industry such as coal or steel, naturally these hopes would not be met. But the coal strike—the last unpleasantness in the coal industry, and I understand there is some question as to what it is to be called—did have a harmful influence but has not been such as to substantially effect a minimizing of our exports so far. If it were to come in July and were to continue for many months that would not be the case.

Exports, both gross and net, will, on the basis of this appropriations request, almost certainly represent a smaller share of national product than in 1947.

Thus, in terms of total impact, we should be able to make available goods and services for which appropriations have been requested to meet the program in the coming year. To do so will represent a strain upon our domestic economy, since current domestic demand continues heavy. But in adopting the program, Congress has decided that the national interest requires that we provide this aid—even though substantial costs and sacrifices be involved.

As far as the impact on particular commodities is concerned, controls exist through allocation procedures and the export licensing system to make certain that the program does not put an unmanageable strain upon our resources, and to help make sure that the goods go where they are most needed.

In this connection, the "offshore" part of the program should be stressed. To the extent that we make it possible for Europe to procure needed items—especially foodstuffs—from other Western Hemisphere countries, we reduce the impact upon our own relatively limited supplies. Moreover, although the dollars thus spent will be returned to us in the form of subsequent purchases by these countries, their demand more than that of Europe is for items in relatively freer supply here. This establishment of the trade pattern, in which our neighbors supply European needs and in turn balance their economic resources by purchases here will strengthen the economy of the Americas—which also is in our national interest.

In evaluating the impact of requirements for important commodities in short supply, I have omitted foods and other agricultural products, as well as coal and petroleum products, since they have been discussed by representatives of the Department of Agriculture and the Department of the Interior.

The requirements for the key commodities that I shall discuss represent a careful evaluation in each case of what we can supply under adequate safeguards of the domestic economy. I wish to emphasize that we are not now making definite commitments in all cases of the quantities that will actually be made available during the period under consideration. No one could at this time estimate exactly the precise figures for each of these programs.

It must be recognized that the legislation under which this appropriation is requested has indicated that the program should be carried out as fully as possible by the use of private channels of trade. This has been in accordance with the thinking of the executive departments. The Department of Commerce has had a special interest in this feature of the program because of our statutory responsibility for and interest in the promotion of American commerce. Planning a program of this kind under procedures of government procurement and distribution might make it easier to give clear-cut and sharp estimates of intentions. Appraising the activities of thousands of private buyers and sellers in the 16 countries involved as well as the United States is not so simple. In spite of that we believe in the great advantages of private activity if we are to have real recovery.

The estimates therefore are our appraisal of the business activities and judgment of everyone who is concerned in carrying on the trade which is represented by the purchase, shipment and distribution of the commodities and materials in this program. Future events will undoubtedly require some adjustments—by reason of supply difficulties, by reason of differential rates of recovery of industries in these countries, and by changed availability of supplies from countries not included in this program.

I should also stress here the way our allocation mechanism works in determining actual quotas against which export licenses to each country are issued. Critical commodities are under constant review and data on needs and availabilities are periodically analyzed, country by country. On this basis, specific allocations of commodities in short supply will be made in the light of all of the current facts concerning our own situation as well as that of recipient countries.

From here on I have commented in general terms on the important commodities which I outline in the first part of this statement, and if you would like I will be glad to continue reading, or to discuss these items informally, apart from the paper. Perhaps I can present it more clearly if you will bear with me just a few moments, by reading this into the record.

The CHAIRMAN. I think perhaps we might just as well have you read it.

Mr. FOSTER. Very well.

IRON AND STEEL

Iron and steel: For the 15 months ending June 30, 1949, steel requirements for the European recovery program are estimated to total 2.4 million metric tons. As with all scarce commodities, these requirements represent a balancing of carefully screened needs of participating countries against available supply. They just about fill the gap between minimum consumption needs and the 39,000,000 tons

that are expected to be produced by increased efforts of the participating countries.

Of this 2.4 million tons, a half million tons are crude and semifinished steel products and 1.9 million tons finished steel products. On an annual basis these tonnages represent 3 percent of total United States production.

In comparison with 1947 exports to the participating countries, the steel requirements represent only a small additional tonnage. Exports of crude and semifinished steel averaged 87,000 tons per quarter in 1947, and under the European recovery program they are expected to average 100,000 tons.

The CHAIRMAN. What is that?

Mr. FOSTER. That is quarterly.

The CHAIRMAN. On a quarterly basis?

Mr. FOSTER. In 1947 the exports of crude and semifinished steel did average 87,000 tons, and the figures in the appropriation request here contemplate an average of 100,000 tons, or an increase of 13,000 tons per quarter or a total increase of 52,000 tons for the year.

The CHAIRMAN. That would be a total of 2.4 million tons, and this total would run on this basis about 1.9 million?

Mr. FOSTER. The finished steel totals are 380,000 tons a quarter.

The CHAIRMAN. That would be 480,000 tons a quarter; that would be 1.9.

Mr. NITZE. That 2.4 is for 15 months.

Mr. FOSTER. You have 15 months in the 2.4 figure; your 1.9 is for a single year compared with the 1947 calendar year.

For finished steel, the 1947 comparison is a quarterly average of 348,000 tons against an estimated quarterly average of 380,000 tons.

Moreover, it should be noted that none of the ferrous raw materials urgently required by our domestic steel industry is scheduled to be sent to Europe. No pig iron or scrap is to be exported. On the contrary, we believe that present efforts will result in the movement of considerable scrap from western Germany to our own steel furnaces.

I might interpose here, Mr. Chairman, that we have been actively working on that plan. We sent a mission to Germany in December, consisting of Government people and also of the best qualified private experts to look at the situation in Germany. We have in the Department established an interdepartmental committee to which is attached a number of private experts, and that committee is taking active steps to attempt to move back to our own production of steel a substantial amount of rubble scrap from Germany. There are many difficulties which make that not so easy as it might appear, but we believe we are going to actually accomplish something with the program.

The steel program also includes a provision for small amounts of steel-making and finishing equipment. Orders for much of this equipment have already been placed or are in a state of advanced negotiation. Our producers of steel-machinery equipment will neither have to—nor for that matter will they be able to—undertake much in the way of additional orders until later years of the program.

Mr. CANNON. You are in control of the export relief program?

Mr. FOSTER. I am not sure I understand your question.

The CHAIRMAN. The Department of Commerce is. Mr. Bruce is the one who is in direct charge of that program. He is here at Mr. Foster's left.

DISCUSSION OF EFFECT OF NEW EXPORT LICENSE PROGRAM

Mr. CANNON. It is reported that the docks of New York are piled high with American goods of all kinds, consigned to Russia, Russian satellite, and iron-curtain countries for which export license has been denied; that the amount involved is prodigious and that failure to release these goods for transportation, after having been bought and paid for in most cases by the European consignee has resulted in slowing down if not the complete cessation of some manufacturing units in industry and is threatening bankruptcy of the manufacturer and of the exporting companies that are handling this business. You say that comes under Mr. Bruce?

Mr. FOSTER. The export-licensing operation, Mr. Cannon, is in direct charge of Mr. Bruce, Assistant Secretary for Foreign and Domestic Commerce. He is thoroughly familiar with that situation.

Mr. CANNON. I would like to inquire how accurate these reports are and what proportion of these goods are steel products.

Mr. BRUCE. You are referring to the materials that are actually on the dock, Mr. Cannon?

Mr. CANNON. That have actually been manufactured, packaged and delivered to the dock, ready for shipment.

Mr. BRUCE. The way that came about was this: As of the 1st of March each commodity for which a license application was made for shipment to any part of Europe requires an individual validation. That deadline did not cover materials which were in transit at that time, but the new license program for in-transit products went into effect as of the 7th of April. Believing that the exporters had had sufficient notice, as the notice went back to the 15th of January, we felt it was justified further to shipments of goods which had been in transit or in warehouses up to April 7, to apply for an individual license.

Mr. CANNON. I understood that May 1 was the dead line.

Mr. BRUCE. No; March 1 was the dead line.

Mr. CANNON. March 1 was the dead line.

Mr. BRUCE. Yes, and as of April 7 the privilege of sending out goods which had been consigned before the 1st of March terminated and caught shipments which are now on the New York wharves.

So far as hardship on the American manufacturer is concerned, the amount on the wharf is only a small part of the total, that is, the goods actually on the dock in New York does not amount moneywise to a very large figure as compared with the total shipments that are being held up.

The total for the eastern European countries for which applications are in for licenses, cover $100,580,408 worth of materials.

CATEGORIES OF MATERIALS AFFECTED BY PROGRAM

Mr. CANNON. Is that raw material?

Mr. BRUCE. No; practically all of it is fabricated, because the ordinary raw materials, largely in the form of soft goods, were allowed to flow through freely.

This amount has been divided by our interdepartmental committee into four categories:

First, the category which comprises materials which seem to have a direct military significance to the arms and ammunition program, and in that category there is something like $31,260,396 worth of materials.

In category 2, which would take in machine tools, and where I think the hardship has been the greatest to the American manufacturer to date, comprises $48,170,834 worth of materials.

Category 3, a less significant classification, has $10,954,033 worth of materials.

Mr. CANNON. You did not say what was included in that. In the first category there might be considered the war materials; in the second, tools; and what is in the third?

Mr. BRUCE. The third covers materials which it is not believed can be allowed to flow out of the country without any scrutiny whatever but materials which probably, in the long run, would be allowed to go with certain discretions.

Category 4, which again includes $10,000,000 of materials, and in about the same category as the third, are materials which should be allowed to go without consideration being given to the individual cases.

Mr. FOSTER. You might give some typical examples of the last two categories, which would be of interest to the committee.

Mr. STEFAN. For each of the categories; I think that would be helpful.

Mr. FOSTER. Yes; perhaps it would be.

Mr. CANNON. Give us a typical commodity under each of the four classifications.

Mr. BRUCE. In the first category a typical commodity would be fissionable materials, or any item having to do with the generation of atomic energy.

Category 2, a typical example——

Mr. CANNON (interposing). Incidently, is there any considerable amount of such material on the docks in New York at this time?

Mr. BRUCE. There is no fissionable material as far as we are aware. We have always had a rather special understanding with the Atomic Energy Commission about the screening of all materials that are shipped out the country. They are most careful about any materials in the area covered by the Atomic Energy Commission; and, occasionally, that has to do with such articles as certain types of generators which the Atomic Energy Commission may have on its list, but I would say that there were very few materials of that sort on the docks.

Mr. CANNON. What is a typical example in the second category?

Mr. BRUCE. In the second category, ball bearings.

In the third category—and I really hesitate to read the list, Mr. Chairman, because some of these things are of the kind that will go out freely, leather trousers, leather aprons; also in that category are some articles, like lard, that would fall under an over-all license handled by the International Food Committee. There are a few other commodities of that kind entering into that classification.

In the fourth category would be included the so-called soft goods, sporting goods, and things of that kind.

Mr. FOSTER. Bibles, radios.

Mr. BRUCE. Bibles and radios. There could not be any objection to shipments of these to other countries.

VALUE OF GOODS EXPORTED TO EASTERN EUROPEAN COUNTRIES THIS YEAR

In January of this year the exports to these eastern European countries amounted to $26,900,000.

In February they amounted to $26,400,000.

We will not have the March figures until next week.

Mr. CANNON. How do those figures compare with the prewar years?

Mr. BRUCE. In the prewar years——

Mr. CANNON. In January and February if you have the figures.

Mr. BRUCE. I cannot give them to you by months; I can give them to you by quarters. I can give them by quarters for 1947.

DISCUSSION OF TRADE WITH RUSSIA

Mr. CANNON. Of course, what we want to know is whether there is any material increase here due to the fact that Russia might be taking advantage of the opportunity to secure goods which would increase her war potential?

Mr. BRUCE. I am certain that Russia would like, extremely well, to secure goods which would increase her war potential, translate it into industrial terms. However in January and February we had slackening up of trade with Russia. In March it will be very much less. The figures that I have given you, apply to eastern Europe, and apply to commodities that are under control and also those which are not under control to the export trade countries.

Mr. CANNON. Is this cessation due to the lack of orders or is it due to the restrictive measures in some instances?

Mr. BRUCE. In the case of Russia it is due to restrictive licensing. In the month of March practically no licenses were issued for shipments to Russia. So far in April they have been negligible—I should say less than a half million dollars worth. But something must be done about it, because the trade with Russia at this time is strangling. If we are going to continue to receive imports from Russia, particularly of such materials as manganese and chrome, I think we will have to arrive at some arrangement with Russia whereby we would have somewhat more normal trade going on.

Mr. CANNON. Up to this time you consider that when we are exchanging goods of the various categories for such things as chrome, manganese, tungsten and similar articles of a strategic nature, we are getting the best of the bargain?

Mr. BRUCE. As long as—it depends entirely on what we are exporting in return. If you look at the trade with Russia for the year 1947 I think you could arrive at the conclusion that there has been no particular danger about the character of their trade insofar as the imports from this country were concerned. I think imports in some categories could be allowed to increase materially in volume and in value, but not others; and I think that is one of the reasons why we should take some action, and that is why the materials were put under license as of the first of March.

The CHAIRMAN. What were those exports to Russia, over-all, for 1947?

Mr. BRUCE. 1947 they were $150,000,000, of which $50,000,000 was represented by UNRRA and lend-lease shipments, and commercial trade was almost exactly $100,000,000.

DIFFICULTY OF EVALUATING MATERIAL AWAITING ISSUANCE OF EXPORT LICENSES

The CHAIRMAN. How much does the stuff that is on the wharf in New York represent in dollars?

Mr. BRUCE. It is impossible to tell, Mr. Chairman, because so much of the goods on the wharf at New York were goods that were destined for shipment without license, and therefore it is only when we check the shipments from the returns through the Census Bureau that we know what the value of the actual shipments may be.

Now so far as any one commodity is concerned, those which have been in transit, we will say, after March 1, we have accurate knowledge of what has been shipped from this country, because everything is subject to license, but what is on the docks, I cannot answer. We have the destination and know those covered by export license; and it is only those for which we do not have the export license which we are unable to say.

VALUE OF IMPORTS FROM EASTERN EUROPEAN COUNTRIES

Mr. CANNON. In the shipment to the eastern European countries of this $100,000,000, which I understand was the amount of the commercial exports to that section of the world and because of the urgent need of the critical materials which we receive in return, it might be said that we have had the best of the bargain for 1947; this $100,000,000 has brought us in specific war value, highly critical materials, which we received in return and which were urgently needed in this country?

Mr. BRUCE. That is correct, with the qualification that the majority of the imports taken by the Russians during 1947 were nonpositive list materials that were not as critical, so far as the domestic demand was concerned or the domestic supply was concerned, as the articles on the positive list. By the same determination of what the positive list items are, I think such an answer would be a false statement, because it is very difficult to answer your question directly by saying that Russia did not have just as good a bargain from us, so far as value is concerned, in relation to building up her industry. I could not answer that question.

EXPORTS OF AIRCRAFT ACCESSORIES TO EASTERN EUROPE IN 1947

Mr. CANNON. Under which of these four categories would internal-combustion engines, automobile engines, and other materials fall that might be used in the manufacture of airplane parts?

Mr. BRUCE. The aviation as well as the military phase is under the control of the National Munitions Board.

Mr. CANNON. Was there any considerable amount of material sent to Eastern Europe in 1947?

Mr. BRUCE. So far as Russia is concerned a very small amount. My recollection is about $348,000 of heavy aircraft accessories.

Mr. CANNON. Some statement has been made that it was supposed to cover patterns.

Mr. BRUCE. For aircraft; there seem to have been some alarm about it.

QUESTION AS TO SALE OF SCARCE MATERIAL ADAPTABLE FOR AIRPLANES BY ENGLAND TO RUSSIA

Mr. CANNON. While we are on this subject: What about this rather inflammatory report that has been circulated to the effect that steel and other scarce materials which we shipped to England have been used in the manufacture of automobile engines, Rolls Royce and jet engines that are adaptable to be installed in jet airplanes, being sold by England to Russia?

Mr. BRUCE. I know it only from having read the newspaper accounts of it, because we have no control over that end use at the present time under our licensing system.

Mr. CANNON. You have an efficient intelligence system scattered over the world on commercial matters, and your representatives abroad would report such diversion of material, would they not?

Mr. BRUCE. They may not be, Mr. Cannon, representatives of the Department of Commerce, but representatives of the Government.

Mr. CANNON. Do you not have attachés in practically every part of Europe?

Mr. BRUCE. That is correct, sir. I was going to say that the various attachés and representatives with legations and embassies would naturally report back on matters affecting this particular point and would, naturally, report back on anything that seemed of particular significance, to us. I have a very strong personal impression, Mr. Cannon, that the British made a mistake in selling to Russia.

Mr. CANNON. It is your opinion that they did sell to Russia?

Mr. BRUCE. I believe, and I speak only personally, that the British did sell some jet plane equipment. Whether that equipment was obsolete, or whether it was significant or not I do not know. I think the Air Force people would have to answer that question. I am certain that the Air Force people are fully aware of what has been sent by Great Britain or any other country to Russia in the way of aviation equipment.

The CHAIRMAN. We will have some testimony up here from Mr. Lovett on that particular question later.

DISPOSITION OF MATERIAL AWAITING SHIPMENT ON DOCKS AT NEW YORK

Mr. CANNON. What disposition will eventually be made of this material which is on the docks at New York and awaiting shipment?

Mr. BRUCE. It will be screened as a result of the exporters now applying for licenses to cover the equipment for which provisions originally did not require licensing, and when it is screened if it falls within the categories which are permissible to ship, depending on the country of destination, it will be allowed to go out just the same as any other material will be allowed to go out.

We felt that it was reasonable that after having given notice starting the 15th of January that goods in transit could go out freely, but that

after the 1st of March anything which was not in transit or in warehouses at the docks would require export licenses, that April 7 was long enough to wait.

The Russians have a habit of accumulating material in warehouses and waiting to ship it in Russian bottoms. It may have been that it would have been time enough under ordinary circumstances before we would have had information as to what commodities made up these particular shipments. I do not think it was unreasonable to put control on with adequate notice, but the big part of it is not the goods which are on the docks, but the goods which are scattered around the country awaiting passage on the applications.

EXPORTS TO EASTERN EUROPEAN COUNTRIES THIS YEAR

May I give you one more figure in connection with the over-all exports. The figure for January of this year, exports from the United States was $7,500,000 and in February $5,200,000.

The CHAIRMAN. I thought I understood you to say $25,000,000.

Mr. BRUCE. That is for eastern Europe, including Russia.

Mr. STEFAN. $26,000,000 was eastern and northern Europe.

Mr. BRUCE. 26,900,000 for January, and 26,400,000 for February while for Russia it was 7,500,000 for January, and 5,200,000 for February.

The March returns, sir, will not be in until the second week in May. This covers all shipments whether they are licensed or unlicensed shipments.

The CHAIRMAN. What do you mean by east Europe; does that cover Greece?

Mr. BRUCE. No, sir, it does not. It covers Albania and Czechoslovakia——

The CHAIRMAN. The curtain territories?

Mr. BRUCE. The Russian satellite countries.

FREIGHT CARS

Mr. CANNON. Now you were talking about freight cars.

Mr. FOSTER. Mr. Chairman, I had started to read into the record our approach to the freight car situation.

If European recovery is to proceed effectively, adequate transport facilities are vital. Realizing that the entire program for western European revival would be jeopardized unless sufficient freight cars are made available, the export of approximately 20,000 cars, which will result in that many going to western Germany, during the first 15 months has been recommended. This figure represents only one-fifth of the original request of the 16 nations.

Because of smaller type cars used in Europe, 20,000 cars require only the same amount of material and labor as approximately 10,000 United States type cars. They constitute the equivalent of about 1 month's production in terms of the production goals currently set by the Office of Defense Transportation and by the car-building industry.

The Department of Commerce and ODT have taken steps to assure the achievement of the domestic program of 10,000 cars a month through a voluntary industry agreement set up in accordance with the provisions of Public Law 395. Under the terms of this program, the

steel companies have agreed to furnish required amounts of steel and car builders have also agreed to cooperate fully, adjusting their production schedule as necessary. We have not yet put the additional export requirements discussed here before the Steel Advisory Committee but the committee is aware that such requirements will be presented. We are confident that an agreement can be reached for meeting these essential needs.

I might state here, Mr. Chairman, that we have a meeting of that Advisory Committee scheduled for this week.

AGRICULTURAL MACHINERY

For agricultural machinery, ECA requirements for 15 months ending June 30, 1949, are estimated to total $136,000,000. This figure is equivalent to about 9 percent of total United States production in 1947. Since 1948 production is expected to top that of 1947, requirements will constitute a smaller percentage of the 1948 total.

It is most important to assure an adequate supply of agricultural machinery if food production is to be increased. The amounts scheduled for the ECA are far below those originally requested by the Committee for European Economic Cooperation but will aid materially in increasing food output in the various countries.

Moreover, food production goals in the United States will not be imperiled. The volume of farm machinery and equipment in use by American farmers is nearly 40 percent higher than prewar. And expanded production expected in 1948 will make possible record additions to total supply, even after export requirements are met.

Mr. STEFAN. May I interrupt there, Mr. Secretary? I thought that was 9 percent, and it was testified the other day that we were cutting that down to 7½ percent, was it not?

The CHAIRMAN. I do not know; I guess not.

Mr. STEFAN. There was some talk about 7½ or 8 percent.

The CHAIRMAN. Yes, they were talking about some fraction over 8 percent, and the testimony was somewhat involved on that.

Mr. STEFAN. The over-all exports, including our ERP are about 22 percent.

The CHAIRMAN. That is what was said the other day, but that was a tentative figure.

Mr. NITZE. One figure is based on a percentage of the 1947 exports and the other is based on a percentage of the 1948 or 1949 exports.

Mr. STEFAN. You have not changed the over-all 22 percent. That stays at 22 percent?

Mr. NITZE. Yes, sir.

COAL-MINING MACHINERY

Mr. FOSTER. During the first 15 months of the ECA, requirements for coal-mining machinery and equipment are estimated to total $82,000,000. These requirements are far more important than the dollar amount indicates. At the core of European industrial recovery is increased steel production, and increased steel production cannot be achieved without greater coal supplies. A well-engineered program for modernization and mechanization of coal mining is of the highest order of importance.

The requirements for coal-mining machinery and equipment present no special supply problem, though domestic demands continue high. Productive capacity in this industry has increased since the war and our own accumulated demand has been substantially worked off.

All European coal-mining industreis are faced with serious manpower problems. By increasing the efficiency of coal output per man, European coal production can be increased and Europe's dependence on United States coal diminished and gradually eliminated.

Mr. CANNON. While you are on coal-mining machinery, Mr. Secretary——

Mr. FOSTER. Yes, sir.

Mr. CANNON. From what source does the coal itself come?

Mr. FOSTER. The Department of the Interior testified before your committee on that.

Mr. CANNON. You do not deal with the question of coal itself?

Mr. FOSTER. No, sir, that is under the purview of the Department of the Interior, and I have only touched those immediate commodities which we have direct contact with.

RESPONSIBILITY FOR REQUIRING TRADE EXCHANGE OF STRATEGIC SUPPLIES AND COOPERATION OF PEOPLE OF PARTICIPATING COUNTRIES

The CHAIRMAN. What Department, if any, would have charge of seeing if different deficit-trade-balance countries that we export to might have raw materials that we are in pressing need of that should supplement our supply, such as iron ore for instance, and also where the people in these countries might be put to work thereby conserving our supplies? Has there been any such a thing as that done, and if so who would be doing it?

Mr. FOSTER. Mr. Chairman, basically that is the responsibility of the State Department, but, of course, the Economic Cooperation Administration has some considerable resources with which to encourage that sort of thing.

The CHAIRMAN. Well, there seems to be no set-up where anything of that character seems to be involved, and if we are going to go ahead with such a program as this, we should have some idea of what that might be.

Mr. FOSTER. I agree thoroughly with you on the importance of that program. The National Security Resources Board has been very much concerned with that.

The CHAIRMAN. But you must have more than that. You have to have some kind of action.

Mr. FOSTER. There is action. I think that Mr. Nitze can talk directly to that since, in the last analysis, that is their statutory responsibility, but I think that the ECA due to this aid which will be rendered through it can stimulate and encourage those accomplishments.

I think that is a fair statement, Mr. Nitze.

Mr. NITZE. The State Department has organized an interdepartmental committee to address itself to this problem. The State Department is not equipped with the technical knowledge of strategic materials as such.

The CHAIRMAN. And neither are the other departments.

Mr. FOSTER. The NSRB is.

The CHAIRMAN. What is that?

Mr. FOSTER. The National Security Resources Board, which includes the Secretaries of six of the permanent Government departments and is concerned under the National Defense Act with developing such steps as you are interested in, and as we are all interested in, and it is moving forward very much more rapidly within the last 30 days. There have been some very important reports made, and there are currently some most important studies being made under this committee of which Mr. Nitze speaks. I think, sir, that the movement is at a rapidly accelerating rate.

May I proceed with petroleum industry machinery and equipment?

The CHAIRMAN. Yes.

PETROLEUM INDUSTRY MACHINERY AND EQUIPMENT

Mr. FOSTER. Petroleum equipment requirements for the first 15 months of the European recovery program are expected to total $227,000,000. This total includes the requirements of United States-owned companies operating within the participating countries and their dependent territories as well as the requirements of western European petroleum-producing companies.

Admittedly, some difficulties will be experienced in meeting these requirements. Fortunately, the impact will be confined for the most part to highly specialized petroleum equipment. The United States has traditionally been the world's supplier of this equipment and should be able to meet the requirements with relatively small strain. Only small amounts of oil country tubular goods are included in the requirements and no line pipe of large diameter is required during the first stage of the program.

In balancing European requirements against domestic needs, it should be kept in mind that the domestic expansion program and the European recovery program are intermingled. Together they are designed to increase the world flow of petroleum and petroleum products. When this goal is achieved, the flow of petroleum and petroleum products from the United States and other Western Hemisphere sources to Europe will be reduced, while that from Eastern Hemisphere sources will be increased. In view of the basic shortage of petroleum products in the United States, any reasonable program that enables the western European countries to use more petroleum from Eastern Hemisphere sources is decidedly in our national interest. The benefits to the United States far outweigh the costs.

We fully recognize, however, that our ability to provide the required petroleum machinery and equipment depends upon factors which must be subjected to constant review. The size of the domestic expansion program and the proposed voluntary agreement to guarantee that specified amounts of steel will be provided are two examples of such factors. I assure you that the Department of Commerce will carefully sift all evidence relating to domestic impact prior to establishing export quotas and issuing export licenses.

ELECTRICAL EQUIPMENT

The electric power program is a vital phase of the general economic rehabilitation of western Europe. The importance of the program

to participating countries is shown by their plans for expansion. Over the 4-year period these countries are undertaking to expand their power industry to an extent requiring the use of a total of $5,000,000,000 of equipment. While our contribution in generating equipment will be relatively small, it involves many items of specialized character available only from the United States.

During the first 15 months, $95,000,000 is involved for the power and other programs, but consists mainly of smaller items, such as motors and electric supplies. No large generating equipment, of which we are now extremely short, is expected to be supplied during the initial period.

Our 1947 production of all electrical items exceeded $4,000,000,000 and we exported 12 percent of our production. Although a relatively large increase over our 1947 exports to Europe is contemplated in this category, even so our total exports to all destinations are not expected to exceed 8 percent of production.

The commodities I have mentioned are, of course, only a few of the more important items included in this program. They do give, however, some indication of our ability to deal with the problems it presents. Although, as indicated, there are domestic supply problems in some of these commodities, as will also no doubt be true of others, past experience and the analyses which have been made make me believe that the amounts recommended can be met. In my judgment the alternatives to meeting them are such as vastly to outweigh the supply difficulties which they may present. I earnestly recommend to the consideration of this committee and the Congress the European recovery program in the full amount requested.

Thank you very much, Mr. Chairman.

DISCUSSION OF OPERATIONS AND COMPOSITION OF NATIONAL SECURITY RESOURCES BOARD

The CHAIRMAN. I have only one question myself. I see that the National Security Resources Board seems to be headed by Arthur M. Hill, and that the governmental representatives on there, other than Mr. Hill, are all members of the Cabinet who, very evidently, would have little time for that activity.

Who is Mr. Hill and what is his background, if you know?

Mr. FOSTER. Mr. Hill, during the war was special assistant to the then Secretary of the Navy, Mr. Forrestal. He came in in particular charge of transportation problems, having been an execuitve of the Greyhound Co. for many years.

I might say, however, Mr. Chairman, that I have been sitting on that Board. Mr. Harriman has been away a good deal of the time, and that in the last 10 days we have had three meetings of that Board, and there was one previous to that, about 2 weeks before that at which there were all of the members of the Cabinet present on that Committee, with the exception of the Secretary of State, who was still in Bogatá, and that the members of the Cabinet feel that that Board is at the moment one of the most important activities bearing on the interests of the Nation, and that they have given an hour or two at each of those meetings, plus a considerable amount of interim activity to it, so that it is functioning as a Board.

It is staffed with some of the finest industrial experts in the Nation who are preparing their background studies, and it will function in an important way, and no one other than a Cabinet member or his under-secretary attends the Board meetings.

The CHAIRMAN. Does not Mr. Hill attend?

Mr. FOSTER. He is Chairman of the Committee and, of course, conducts the meetings, but the purpose, or the philosophy, of the operation of that Board is to engage the interests of the highest members of the permanent Government agencies in view of the importance of the activity.

The CHAIRMAN. Mr. Bruce, do you care to make a statement too this morning?

Mr. BRUCE. No, Mr. Chairman, I have no prepared statement.

The CHAIRMAN. Thank you, gentlemen.

Mr. STEFAN. Mr. Bruce, when can you get those March figures on exports to iron-curtain countries, including U. S. S. R.?

Mr. BRUCE. The second week in May, Mr. Stefan.

DISCUSSION OF ADVISABILITY OF FLEXIBILITY IN ECA PROGRAM

Mr. FOSTER. Mr. Chairman, I appreciate this opportunity to be heard. It looks as though I was going to be charged with part of the responsibility of administering this program and I hope that you will, in your judgment, give sufficient flexibility to it so that we will have the opportunity of making close and hard determinations when we are over there with sufficient limit so that we can do the job adequately.

The CHAIRMAN. You know, flexibility is what wrecked Lend-Lease and resulted in the policy of appeasement. It is what wrecked WPA, NRA, and UNRRA.

Mr. FOSTER. Flexibility within limits is the way I phrased it.

Mr. STEFAN. You did not mean a blank check, did you?

Mr. FOSTER. I have no desire for a blank check.

The CHAIRMAN. Congress is faced with some very bad precedents. The policy of appeasement resulted from too great range along that line, and that is what has brought us to the state that we are in now in world affairs.

Mr. FOSTER. I recognize, sir, all of those dangers and difficulties, and I can assure you that it will have our very best efforts within those limits.

The CHAIRMAN. But we have to guard against a repetition of those disastrous experiences.

Mr. FOSTER. With that I am in full accord.

Mr. STEFAN. Mr. Foster, you have been Acting Secretary of Commerce for some time now, have you not?

Mr. FOSTER. Yes, sir.

Mr. STEFAN. Are you still Acting Secretary of Commerce?

Mr. FOSTER. Yes, sir.

BACKGROUND OF NEW SECRETARY OF COMMERCE

Mr. STEFAN. When does the new Secretary of Commerce take over, do you know, and who is he?

Mr. FOSTER. The man who has been recommended for confirmation is Charles Sawyer, of Cincinnati, Ohio, and I believe the recommendation goes to the full Senate within the next few hours.

Mr. STEFAN. Are you acquainted with Mr. Sawyer?

Mr. FOSTER. I am, sir. I have met him within the last week.

Mr. STEFAN. Has he been in the service a long time?

Mr. FOSTER. His Government experience in national affairs is that of having been Ambassador to Belgium during 1944 and 1945 during the war. He has been active in his State.

Mr. STEFAN. From where is he?

Mr. FOSTER. He is from Ohio, Cincinnati, Ohio. He has been Lieutenant Governor of Ohio, and I believe was the candidate for governor against the present Senator Bricker.

Mr. STEFAN. Is he a businessman; does he know about business?

Mr. FOSTER. He does; he is a lawyer.

Mr. STEFAN. He is a lawyer?

Mr. FOSTER. And he is a businessman. He owns a number of small operating companies.

Mr. STEFAN. What kind of companies?

Mr. FOSTER. He owns a number of small newspapers. He owns one or two radio stations, and he has some other small operating companies. He has two small manufacturing companies in which he is, at least, a substantial owner.

He is counsel for the Procter & Gamble Co., and for the Crosley Radio Co., and a director in both of those companies.

I will be very glad to send up a more detailed statement on that.

Mr. STEFAN. We will be glad to have it.

(The following was submitted later:)

Some years ago Mr. Sawyer was a director in a number of corporations. Most of his directorships he resigned but retained his directorship in the American Thermos Bottle Co. and a number of corporations in which he owns all the stock or a controlling interest. He is the owner of one radio station in Dayton, Ohio—WING; the owner of the controlling interest in another radio station in Springfield, Ohio—WIZE; and the owner of the controlling interest in a newspaper at Lancaster, Ohio. He is interested in a number of business enterprises in his home city of Cincinnati. Until acceptance of the appointment as Secretary of Commerce he was general counsel for the Procter & Gamble Co., the Union Central Life Insurance Co., the American Thermos Bottle Co., the Crosley Corp., the Buckeye Cotton Oil Co., the Cincinnati Baseball Club, Cincinnati Gardens, Inc., of which he is the president, Drackett Chemical Co., United States Playing Card Co., United States Printing & Lithographic Co., and a number of others, and local counsel for the L. & N. Railroad and the Erie Railroad.

Mr. FOSTER. That is all I can recall at the monment. I have been attending with him over this last week a meeting of the Business Advisory Council of the Department of Commerce, at which time it was evident that he had met with many members of that council and had dealt with them in a business way, so that I can say that his business experience is wide and varied, both from a legal and also from an operating viewpoint, at least in the capacity of a director of many companies.

Mr. STEFAN. When does Mr. Harriman leave for Europe?

Mr. FOSTER. He will probably leave for Europe within the next 10 days, perhaps only for a rather brief trip this time, but he will be in Paris, I believe, within 2 weeks at the outside.

Mr. STEFAN. Of course, you do not know when the Senate will confirm Mr. Sawyer, and until that time you are Acting Secretary of Commerce?

Mr. FOSTER. Yes, sir; I am Acting Secretary of Commerce until then, sir.

Mr. STEFAN. Well, your background is quite varied too. Are you not a businessman, and what kind of businesses do you run?

Mr. FOSTER. I have run two or three manufacturing businesses.

Mr. STEFAN. Actively engaged in them?

Mr. FOSTER. Yes; actively engaged in them as operating executive in the manufacturing field over many years.

Mr. STEFAN. And you employ quite a few people, do you not?

Mr. FOSTER. No; I have been the employer of rather small numbers. One of my businesses has about 200 employees, and another 120 employees.

Mr. STEFAN. What kind of business is that?

Mr. FOSTER. One is the manufacture of machine tools, and the other is the manufacture of welded sheet-metal products, stainless steel, aluminum, brass, and that type of thing. I have been a director of other companies.

Mr. STEFAN. And you have been in that business a long time, have you not?

Mr. FOSTER. I have been in that business for more than 25 years.

Mr. STEFAN. I have no further questions, Mr. Chairman.

COORDINATION OF EXPORT CONTROL BETWEEN THE ARMY AND DEPARTMENT OF COMMERCE

Colonel BLUMENFELD. While Mr. Bruce is here, Mr. Chairman, you remember that during the early part of the hearings Congressman Keefe asked me about the method of coordination of control between the Army and the Department of Commerce on export control.

At that time I answered Congressman Keefe saying that we did have a method of coordination through our allocation of material, of allocations made by the Department of Agriculture to the other departments, and I promised Mr. Keefe to put a statement to that effect in the record.

I now confirm that. I merely wish to say, while Mr. Bruce is here that our controls between the Commerce Department and the Army Department are handled through the allocation machinery that now exists for the allocation of critical items, and that we actually have no export licenses except for those materials which are handled in British ships, which move a considerable amount of our Government relief to the bizone in Germany.

Mr. FOSTER. I have a statement here on that, and I would be very glad to submit that statement outlining that procedure for the record.

Mr. STEFAN. The one the colonel is referring to?

Mr. FOSTER. Yes, sir.

The CHAIRMAN. Have you seen that, Colonel?

Colonel BLUMENFELD. Yes, sir; that is substantially as we have seen it, and that is substantially the way it works.

The CHAIRMAN. In other words, the picture is that all of the exports of critical materials that the Army sends out that go in United States bottoms are handled without license, and as to those that go in foreign bottoms an export license is granted by the Export Control Organization; is that the idea?

Colonel BLUMENFELD. Yes, sir. I might say, amplifying one statement that while there is no actual export license issued on the items

carried in our ships there is a real control over allocation of materials which the Department of Commerce and the other departments make to the Army. One exception to that is petroleum which is handled by the Army and Navy Petroleum Board, and that is merely a blanket allocation to the Army.

The CHAIRMAN. You may put that statement in the record.

Colonel BLUMENFELD. Yes, sir.

(The statement referred to is as follows:)

EXPORT CONTROL OVER SHIPMENT OF COMMODITIES PROCURED BY UNITED STATES GOVERNMENT AGENCIES

The export control authority of the Department of Commerce is currently exercised over all materials otherwise subject to export control which are procured and shipped by United States Government agencies, except such of those materials which are intended solely for use or consumption by official United States personnel stationed abroad. This control provides for the review of requirements, the securing of export approval prior to issuance of procurement authorization, and for appropriate reporting of actual shipments. At present the Greek-Turkish aid program, other foreign relief aid programs under the administration of the Department of State, occupied-areas programs, and certain other programs are subject to this control. Discussion between the Economic Cooperation Administration and the Department of Commerce is currently in progress on adapting such control to whatever Government procurement may be undertaken by or for that agency. It is expected that an interim procedure will be quickly established which will be very similar to that currently in force for the above programs.

Present procedures are briefly summarized below:

GREEK-TURKISH AID PROGRAM

Requirements

Statements of requirements for commodities on the postive list subject to export control are received by OIT from the American Mission in Greece through the State Department. These are reviewed and correlated with other requirements and presented to the appropriate committee for the establishment of a total export quota. To date the receipt of such requirements statements has been limited. Most requests have been processed on an individual-case basis. Requirements for food commodities are submitted for screening to the Department of Agriculture.

Authorization

All requisitions for Government procurement for the controlled commodities are transmitted to the OIT by the State Department and if and when approved by OIT, are charged against the regularly established export quotas and returned to the State Department.

Shipment

Authorized symbols appearing on the requisition and export declaration are notice to the collector of customs that OIT has approved the shipment. An individual export license is not required. The symbol also enables the Foreign Trade Division, Census Bureau, to identify the shipment and program involved for purposes of reporting exports accurately.

All commodities, including those not on the positive list, require prior export authorization for shipment to group R or European countries. In order to expedite shipments of nonpositive list commodities to group R countries, the State Department has been authorized to ship such noncritical items without further prior authorization of OIT, provided monthly reports are submitted tabulating the shipments made under each program.

UNITED STATES FOREIGN RELIEF, FOREIGN AID, AND INTERIM AID PROGRAMS

Requirement, procurement, and shipping procedures are similar to above. The procedure covering export of nonpositive list commodities to group R countries, as explained above, has been extended to these programs.

It is realized that there may have been some shipments made not previously authorized by OIT in those cases where the State Department has turned over a portion of its funds to the National Military Establishment for procurement and shipment under one of the above programs. Shipments in military vessels are

not subject to clearance by the collector of customs. Through the cooperation of the State Department and National Military Establishment, it is believed that this situation has been corrected.

OCCUPIED AREAS

Requirements

Department of the Army submits statements of minimum essential requirements of the civilian populations of the occupied areas to the Department of Commerce. Department of Commerce correlates requirements statements submitted by Department of the Army with urgent import requirements of other countries which are submitted to the review committee. To date the receipt of such requirements statements has been limited and most requests have been processed on an individual case basis. Food requirements are submitted to the Department of Agriculture for screening.

Authorization

For those commodities for which export quotas are established by the review committee, the Department of Commerce advises the Department of the Army in writing of the quantities of positive list commodities which are authorized for export for the allocation period to the specific occupied area and the appropriate export identification symbols to be used on the export declaration. Commodities procured by the Department of Agriculture and authorized for export by the Department of Commerce which are delivered to the British maritime service under the terms of the so-called Byrnes-Bevin agreement require specific export authorization in the form of the individual export license. Prior to the issuance of an export license the Department of Commerce obtains assurance from the Department of the Army that it has charged the proposed shipment to its authorized quota.

Shipment

Shipment is generally made on Army vessels not requiring clearance by the collector of customs. In those few instances where shipment is made on British vessels under terms of the so-called Byrnes-Bevin agreement, an export license is required to obtain clearance through the collector of customs.

All commodities, including those not on the positive list, require prior export authorization for shipment to group R countries. The Department of the Army is currently authorized to export nonpositive list commodities to bizonal Germany without obtaining further prior approval from the Department of Commerce.

OTHER PROGRAMS

Exports by Government agencies under other programs, such as the Public Roads Administration under the Philippine Rehabilitation Act of 1946, are licensed by OIT in the same manner as any commercial export and the submission of individual export licenses by the agency is required.

MONDAY, MAY 3, 1948.

STEEL

STATEMENT OF J. J. N. PALMER, CONSULTANT COMMODITIES DIVISION, OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE, AND ISAIAH FRANK, INTERNATIONAL RESOURCES DIVISION, DEPARTMENT OF STATE

The CHAIRMAN. At this point we will go on with the hearings that we had in progress the other day.

Mr. CAWLEY. Mr. Chairman, I believe we were down to steel, and Mr. Palmer, of the Department of Commerce is here to testify on that item.

PRODUCTION, FOREIGN TRADE, AND CONSUMPTION OF STEEL IN UNITED STATES

The CHAIRMAN. Mr. Palmer, what can you tell us about that steel situation that is involved here, and what there is that we are expected to do? Do you have any table here that you could hand us on that?

Mr. PALMER. On the domestic supply and the general situation?

The CHAIRMAN. Yes, sir; do you have something of that character available for us?

Mr. PALMER. Yes, sir, I do have right here, sir.

The CHAIRMAN. This table indicates the production of steel, and under note 1, "Estimate of 1948 and 1949" it involves only those two periods. It does not involve these previous figures?

Mr. PALMER. No, sir, the others are factual, and those for 1948 and 1949 are estimates which are based on the best information I could get.

The CHAIRMAN. And that involves an estimate for an increased production of steel both finished and semifinished capacity. We have no substantial imports of steel?

Mr. PALMER. No, sir, we never have had by comparison with our total production.

The CHAIRMAN. You might put this table into the record.

(The table referred to is as follows:)

Production, foreign trade, and consumption of steel in the United States

[Thousands of metric tons]

	1937	1938	1939	1946	1947	1948 [1]	April 1948-June 1949 [1]
Steel ingots:							
Capacity	71,974	73,851	75,365	84,630	84,033	86,722	----------
Production:							
Tons	52,163	29,244	48,629	61,341	78,086	78,285	101,300
Percent of capacity	72.5	39.6	64.5	72.5	92.9	90.0	90.0
Finished steel,[2] tons	39,120	22,433	36,472	46,005	58,000	[3] 58,713	76,000
Imports	470	247	294	65	10	150	266
Total supply	39,590	22,680	36,766	46,070	58,010	58,863	76,266
Exports:							
Total:							
Tons	3,605	2,230	2,537	4,634	5,970	5,500	6,879
Percent of supply	9.1	9.8	6.9	10.5	10.3	9.3	9.0
To participating countries:							
Tons	712	377	616	1,362	1,740	[4] 2,300	[4] 2,517
Percent of supply	1.8	1.5	1.7	3.0	3.0	3.9	3.3
Percent of total exports	19.7	15.1	24.3	29.4	29.1	41.8	36.3
Domestic consumption	35,985	20,450	34,229	41,436	52,040	53,363	72,266
Domestic requirements	35,985	20,450	34,229	[5] 50,000	[5] 55,000	[5] 55,000	[5] 72,275
Short fall	0	0	0	----------	----------	----------	----------
High estimate	----------	----------	----------	10,500	3,500	3,000	1,500
Low estimate	----------	----------	----------	[6] 7,500	1,500	[7] 1,500	0

[1] All figures are estimates.
[2] Includes semifinished as well as finished steel. Tonnages estimated on basis of steel ingot production.
[3] Estimated on basis of actual production in January and February with allowance for loss in production occasioned by recent coal strike.
[4] Scheduled for shipment under the ERP/ECA program. An estimate not a commitment.
[5] The roughest approximation. No means exist by which to precisely calculate domestic requirements.
[6] This is, roughly, the tonnage of finished steel lost as a result of the coal and steel strikes of 1946.
[7] This is, roughly, the tonnage lost as a result of the 1948 coal strike.

TREND OF EXPORTS

The CHAIRMAN. The exports have been running along at not far from the same rate since the war as the percentage of the prewar production except that in 1939 they seem to be down quite considerably percentagewise.

Now, that means that we are stepping up our steel production and our exports at the present time on a basis that is away beyond what the commercial demand immediately following this immediate postwar period would go up, does it not?

Mr. PALMER. I anticipate that there would be a reduction, although it will not probably go back on a tonnage basis to as low a figure as we reported for prewar years.

The CHAIRMAN. Well, not down to the 1938 figure, anyway?

Mr. PALMER. No.

The CHAIRMAN. But perhaps down to the 1937 figure.

Mr. PALMER. In that range or, perhaps, about 1,000,000 tons higher would be my estimate.

The CHAIRMAN. Now, where does that steel production go, generally outside of these 16 participating countries?

Mr. PALMER. Well, the largest single market outside of the 16 participating countries is Canada normally, and Mexico is next.

The CHAIRMAN. How much goes to Canada and how much goes to Mexico?

Mr. PALMER. Last year the shipments to Canada were about 972,000 tons. The shipments to Mexico, if I recall correctly, were much smaller. Probably I can give them to you exactly, 369,000 tons.

The CHAIRMAN. 369,000 tons?

Mr. PALMER. Yes, sir. It was 972,000 tons to Canada and to Mexico 369,000 tons.

The CHAIRMAN. Where did the rest of it go in 1946 and 1947, outside of these 16 countries, largely, the big items?

Mr. PALMER. The pattern remains much the same. Those two countries were large, and Argentina, Brazil and Venezuela are all important foreign markets. Markets of the second rank from a tonnage standpoint would be China and the Philippine Islands. Cuba is important also in that second category.

ESTIMATE OF EXPORTS TO PARTICIPATING COUNTRIES

The CHAIRMAN. The total figure for the participating countries does not seem to be so heavy as it does by any means in proportion to other exports, as in the case of some other exports, or as in the case of some other things, although it seems to be stepped up nearly 50 percent in prospect for 1948.

Mr. PALMER. It is about two-fifths at that time, or a little better than two-fifths. Of necessity that 1948 figure of 2,300,000 is just an approximation. The shipments to the countries other than those in the ECA program are scheduled on a quarterly basis and they are not scheduled in advance far enough so that you can determine the exact quantity at this time.

The CHAIRMAN. Now, for instance, your set-up for the first four quarters in this so-called 15 months program is put in at the rate of 575,000 tons a quarter while the last quarter is down for approximately

217,000 tons, or down to less than one-half. Is not the set-up there for the first four quarters on a higher basis than anybody ought to expect? Now, is not that about right?

Mr. PALMER. Actually, the anticipated shipments during the first quarter and during this current period would be at a higher rate than at any time during the subsequent four quarters.

The CHAIRMAN. Do you have any idea of what those shipments were?

Mr. PALMER. They are scheduled to be——

The CHAIRMAN. I mean for the first quarter of 1948. Those are calendar year figures, are they not?

Mr. PALMER. Yes; these are calendar year figures.

The CHAIRMAN. For the first quarter of 1948, what were the exports to the participating countries?

Mr. PALMER. I am afraid I do not have the figure for that.

The CHAIRMAN. Do you have the over-all figure?

Mr. PALMER. We have only two months so far.

The CHAIRMAN. Let us have the 2 months figure.

Mr. PALMER. I should say, approximately, for the year 1947, it would be total exports of the order of 5,970,000 metric tons or, for the ERP countries, about 1,740,000 tons.

The CHAIRMAN. Of course, the figure for 1947 was not as much as that; it was on the basis of about 165,000 tons. Do you have the figure for the first quarter of 1948?

Mr. PALMER. No; I do not have.

Mr. CHAIRMAN. Do you have the figure for the first 2 months?

Mr. PALMER. I do not have those for this period, either, but I should say very close to, if not identical with, that of the average monthly shipment of 1947.

The CHAIRMAN. Which would be approximately 1,500,000 over-all and 440,000, approximately?

Mr. PALMER. That is right—about 445,000.

The CHAIRMAN. And there is no probability of stepping that up by 660,000 tons for the year, I would not imagine—would you?

Mr. PALMER. Orders already placed would seem to indicate it would figure, in 1948, in excess of 2,000,000 tons—perhaps 2,300,000 tons.

STATUS OF STEEL PRODUCTION

The CHAIRMAN. Now, the steel production is very much slowed this quarter, is it not?

Mr. PALMER. It has been; yes, sir. So far I would estimate we have lost about 1,500,000 tons of steel ingots due to the coal strike.

The CHAIRMAN. That will be reflected to a considerable extent in the export picture?

Mr. PALMER. The immediate export picture will reflect it.

ESTIMATE OF FUTURE EXPORTS OF STEEL TO PARTICIPATING COUNTRIES

The CHAIRMAN. Has there been any prediction of the probable exports into these countries in fiscal 1950?

Mr. PALMER. There was originally such a prediction.

The CHAIRMAN. And what was that prediction?

Mr. PALMER. We called for a declining volume over this one indicated here. We expect the countries of Europe will make more steel, substantially.

The CHAIRMAN. What do you figure it would be?

Mr. PALMER. On the basis of present information, I should imagine we would not ship or should not be called upon to ship much, if any, in excess of 1,500,000—perhaps less than that.

The CHAIRMAN. Well, you have the last quarter of the fiscal year 1948 set up here at 217,000 tons, and it would be rather surprising if there was anything of the nature of 1,500,000 for the year.

Mr. PALMER. I rather think your figure of 217,000 is too low.

The CHAIRMAN. All I am taking is your figures.

Mr. PALMER. No.

The CHAIRMAN. Yes; I am. Maybe I cannot subtract, but 2,300 from 2,517 leaves 217, according to my arithmetic.

Mr. PALMER. That is quite correct; but the 2,300 figure relates to the calendar year 1948.

Mr. NITZE. There are six quarters involved, four quarters in the calendar year 1948, plus the last two quarters of the fiscal year 1948–49. The ECA figure includes five quarters beginning in April and ending in June. Therefore, it is not just simply the addition of one quarter but involves two quarters beyond the calender year and only three quarters within the calender year.

The CHAIRMAN. Well, you have a production here where your first quarter of 1948—and perhaps the second quarter will not be any higher, certainly—is running at a rate of 440,000 tons, and that would make almost 900,000, which would leave a necessity of stepping up your production in the balance of the fiscal year 1948 to a rate of 700,000 a quarter, if you were going to do it that way.

I do not know. It looks to me like there is something the matter with these figures as to probabilities and possibilities. They just do not seem to jibe, because 700,000 a quarter is a pretty high figure for that.

Mr. FRANK. That is right. I believe this 2,300 for 1948 is actually a projection for the calendar year on the rate of exports that were estimated for the second quarter of this year or the first quarter of the program, that is, April through June.

The CHAIRMAN. This 1948 figure you have here is for other than the calendar year?

Mr. FRANK. The figure on exports is a projection to an annual basis of the figure for the first quarter, the estimate of the first quarter of the program, or for April through June.

The CHAIRMAN. You do not expect any more than the 440,000 in that quarter, do you?

Mr. FRANK. No, sir. As a matter of fact, I believe in this current quarter much less will be shipped, in view of the coal strike.

The CHAIRMAN. And you do not expect they will get 2,300,000 tons in the calendar year 1948, do you?

Mr. FRANK. No, sir. I believe it will be less than that.

The CHAIRMAN. Quite considerably less?

Mr. FRANK. I could not say how much less this quarter.

The CHAIRMAN. I would probably be at least 500,000 tons below?

Mr. FRANK. I should not venture a guess on that.

The CHAIRMAN. That would be as good a guess as anybody could make right now, from looking at the picture as it is. And, frankly, I hope we do not have to face a coal strike in July on top of the March and April performance, but I do not know. I am a little leery of getting too far out on a limb on such a thing.

The steel production is pretty weak at the present time, and this picture really represents taking away from some of our other countries considerable of the production that has gone to the other countries and shifting it over to the 16 participating countries, does it not?

Mr. PALMER. It represents that; but I think it is a natural movement. In 1947 and in 1946, particularly in 1947, export control extended to just about one-half of the tonnage of steel that was exported. Since that time, it has been made a complete control, lacking only 2 or 3 percent of the total. About one-half of the quantity that went, apart from what was under export control, moved out of what is commonly called the black market. With export control, that shipment will largely cease.

The CHAIRMAN. You mean about half of the exports——

Mr. PALMER. About half of the volume of exports came out of something approximating the black market, as I understand.

Mr. NITZE. About half of that was not under control.

Mr. PALMER. Yes. There was some of the other, too, that was very high priced that came out.

EXPORTS OF STEEL TO RUSSIA AND SATELLITE COUNTRIES IN 1947

The CHAIRMAN. How much of this steel production in 1947 went behind the iron curtain?

Mr. PALMER. I would say less than 5 percent, all told.

The CHAIRMAN. It must have been more than that.

Mr. FRANK. Are you talking about——

The CHAIRMAN. I am talking about the 1947 exports of 5,900,000 tons.

Mr. PALMER. I thought you meant of the total production, how much went on the black market.

The CHAIRMAN. I mean, of the exports of 5,900,000, how much went behind the curtain? I do not mean just Russia; I mean behind the iron curtain.

Mr. PALMER. The quantity was quite small. I can tell you approximately. There was about 125,000 tons.

The CHAIRMAN. Is that all?

Mr. PALMER. Yes. Russia got 83,000, and Finland got 26,000. None of the other countries are significant.

RUSSIAN IMPORTS OF STEEL FROM BRITAIN AND GERMANY

The CHAIRMAN. Can anybody tell me how much Russia got of the British and German production?

Mr. PALMER. I have no idea as to that. Those statistics are not yet available to us.

Mr. FRANK. Of the production of Germany, how much did Russia get?

The CHAIRMAN. Yes.

Mr. FRANK. A very little bit.

Mr. PALMER. I do not believe the British have released their figures.

The CHAIRMAN. Quite a little went to Poland?

Mr. FRANK. I believe not more than 150,000 tons, roughly. Most of the 200,000 tons of steel production of the bizonal area was shipped to the East in return for food. I do not have the British figures.

The CHAIRMAN. The News Bulletin seemed to indicate that a considerable quantity of British steel is headed for Russia this coming year.

Mr. PALMER. I believe there is a trade agreement between Russia and Britain which calls for the delivery of food by Russia to Britain in return for steel to be shipped to them over a 5-year period. The food shipments, however, are scheduled for immediate delivery. That movement has been described by some as, in effect, a loan against future deliveries of steel.

The CHAIRMAN. All you know about the domestic requirements is that we are short of meeting them; that is about all you know?

Mr. PALMER. That is about all anyone knows. There is no more controversial subject, I am sure, than the adequacy of our present steel production to meet our present requirements and obligations in export.

The CHAIRMAN. We all know that sometimes, with a 10-percent increase in availability, you can get an awful big difference in the saturation of the market.

EFFECT OF COAL AND STEEL STRIKES IN 1946 UPON PRESENT SUPPLY OF STEEL

Mr. PALMER. Along that line, you will recall that in 1946 we had a coal strike and then a steel strike. The total cost of those strikes was about 9,000,000 tons of steel.

The CHAIRMAN. In other words, we might have produced 9,000,000 tons more if we had not had the coal strike?

Mr. PALMER. If we had not had those two strikes. And it might very well have been, had we had those 9,000,000 tons, we would not have known of the difficulties of a short supply during all of this period.

The CHAIRMAN. That was 1947?

Mr. PALMER. That was 1946. We lost no production in 1947 due to work stoppage.

The CHAIRMAN. Here is something I do not understand at the bottom of the page: "Short fall; high estimate; low estimate." What is that?

Mr. PALMER. Estimates of various persons and organizations in 1946 who measured the inadequacy of the total domestic supply, which was approximately 61,000,000 tons of ingots or 46,000,000 tons of finished steel, at between 7.5 and 10.5 million tons short of what we could have used had it been available.

The CHAIRMAN. If you had the two words transposed, the ordinary man would catch onto it quicker. Do you not think so?

Mr. PALMER. Well, it could be.

The CHAIRMAN. Those are the figures that you think you fell short of meeting the domestic requirements?

Mr. PALMER. The total requirements; that is, domestic use plus export, combined, was at least that much short. With what we sold abroad, 4,600,000 tons, it was about half of what we lost due to the combination of the coal and steel strike.

EXTENT OF USE OF PRODUCTIVE CAPACITY FOR STEEL IN UNITED STATES

Mr. CANNON. I notice from the table here you are using less of your productive capacity this year and in 1949, prospectively, than in any year since the war. In 1946, you used 72.5 percent of your productive capacity; in 1947, 92.9 percent; and then you drop down to 90 percent. In view of the fact the domestic requirements are increasing and are the highest, for 1949, that they have been in the history of the industry, and you are falling short 1,500,000 tons, why are not you using this extra 10 percent of productive capacity of steel that is available here?

Mr. PALMER. Because of the lack of materials with which to make that much additional steel.

The CHAIRMAN. You have the capacity but have not the materials?

Mr. PALMER. We have not the materials.

The CHAIRMAN. You mean ore?

Mr. PALMER. Iron ore—we are better supplied with that than with anything else—but particularly scrap and pig iron.

Mr. CANNON. What is the prospect? Why can you not step up your supply of scrap? The battlefields of Europe were covered with it.

Mr. PALMER. The Under Secretary, or Acting Secretary, Mr. Foster, I think, described to the committee the operation currently under way to bring back some of the total scrap here. Part of it is needed to implement the production of steel in Europe, but by every conceivable means the departments and the other Federal agencies are moving to bring back that scrap. Further than that, they are not only going to Europe, but there is an operation definitely under way to bring back the scrap from the South Pacific.

Mr. CANNON. The prospect, then, is that at some time in the future you will be able to operate at 100-percent capacity. When will that be?

Mr. PALMER. That is a desirable ambition. Practically, I do not believe production could go, on any extended operating basis, over 97 or 97.5 percent. We were operating at that rate at the time Mr. Lewis called out the coal-mining industry, but it is very difficult to recoup.

Mr. CANNON. When we were operating at 97.5 percent capacity?

Mr. PALMER. During February and March.

Mr. CANNON. Of this year?

Mr. PALMER. At the time of the strike, the steel industry was working at approximately 97 to 97.5 percent of capacity.

ESTIMATED DECREASE IN FUTURE EXPORTS OF STEEL

Mr. CANNON. You seem to be exporting steel in decreasing quantities. I note here you estimate the amount sent abroad in 1949 to be only 9.0 compared with 9.3 in 1948, 10.3 in 1947, and 10.5 in 1946. Is that due to the lessening need over there or a change in policy or to

a change in domestic requirements? Apparently you are producing more than you ever produced before. What brings about this steady decrease in the percent of the supply you are shipping abroad?

Mr. PALMER. There are two principal things. One is that a good many of the markets have satisfied their pent-up wartime demands and are back more nearly to normal. I am speaking of the markets outside of western Europe. The other thing is that production in various areas of the world, including western Europe, is increasing, and the supply from other sources is greater; hence the demand on us is less than it might be or less than it was in 1947 or in 1946.

Mr. CANNON. You expect this trend to continue?

Mr. PALMER. There is no reason why it should not. Every indication points that way.

The CHAIRMAN. There is a very favorable prospect, then, of a very happy situation?

Mr. PALMER. I would think so; yes, sir. I do not mean to say the export trade is going to decline to a point where it vanishes. I would expect its remaining, after the war, in normal years, in the neighborhood of 4,000,000 tons or perhaps a little better.

Mr. CANNON. At this time, then, your bottleneck is scrap?

Mr. PALMER. Scrap particularly, and pig iron.

Mr. CANNON. Your facilities for production have never been curtailed by the failure to secure enough coal?

Mr. PALMER. Yes.

Mr. CANNON. You have always had ample coal?

Mr. PALMER. No. Coal, of course, has caused the present slump of 1,500,000 tons which will probably total 2,000,000 tons in all.

Mr. CANNON. Well, coal is to be exported; coal is part of your economic program of recovery; is it not?

Mr. PALMER. Yes.

STATUS OF COAL PRODUCTION AND DISTRIBUTION IN GERMANY

Mr. CANNON. I notice you expect to ship German coal, to distribute German coal, to industrial points in Europe. What is the situation over there at the present time?

Mr. PALMER. There have been substantial improvements in the production of coal in Germany and in its distribution.

Mr. CANNON. There has been no friction about the allocation of coal from the German mines?

Mr. PALMER. There was at this time last year, but I believe that difficulty has largely been eliminated; at least, it has been minimized compared with what it was.

Mr. CANNON. It is now generally satisfactory?

Mr. PALMER. I would say "yes," and is improving.

Mr. CANNON. And the amount actually produced by the German mines is increasing?

Mr. PALMER. It is; yes, sir; and from all indications the improvement is continuing.

METHOD OF SECURING COAL FOR PROGRAM

Mr. CANNON. What is your source of supply here in the United States of the coal you intend to export as a part of this program?

Mr. PALMER. A very large part of it, I believe, is moving out of Indiana—in that vicinity—and West Virginia.

Mr. CANNON. Do you advertise for bids, or how do you locate your supply? For example, I have had a letter—and I guess other members of the committee have had similar letters—from a Kansas City coal supply company in which they wanted to know if they would have an opportunity to supply some of this coal for export. I am certain no member of this committee wants to be involved as a go-between of any kind whatever, between a possible source of supply of any commodity that enters into this program. But I take it for granted you have a routine method of securing coal that will insure the best quality and lowest price.

Mr. PALMER. That has been the case.

Mr. CANNON. What is your formula; what is your method?

Mr. PALMER. That part which has moved—which in a sense—has been public financed under any of the grants in aid has been advertised through the appropriate organization of the Treasury Department.

Mr. NITZE. I think I can clarify that. Take, for example, the French procurement of coal: It has been handled by a French organization called ATIC, which are the initials of an organization of private industry representing various coal users in France. They advertise for bids here in this country on a form which specifies the types of coal and the shipping points and various other qualifications.

Mr. CANNON. They conduct the negotiations and you pay the bills?

Mr. NITZE. We pay the bills, provided the procurement contract for the coal which they enter into meets the standards set by the person controlling the expenditure of funds, but actually they buy it and they themselves do the submitting of the bids.

Mr. CANNON. Now, any producer or any distributor who might want to submit a bid for coal of this character would be given an opportunity?

Mr. NITZE. Yes.

Mr. CANNON. And what steps should he take?

Mr. NITZE. I think he should get in touch with the various foreign countries interested in procuring coal and find out the procedure.

Mr. CANNON. I do not see that it is his business to get in touch; it seems to me it ought to be the business of whomever is in charge of the business of this sort to see that everyone who might supply coal had an opportunity to bid. That is the only way you can be sure of getting the lowest price and the best quality—by giving everybody who might be in a position to supply coal an opportunity to bid on it.

Mr. NITZE. Everybody is given an opportunity to bid on it.

Mr. CANNON. This firm did not seem to know the procedure.

Mr. NITZE. I think if they inquired of Mr. Havemeyer, of the Department of Commerce, he could tell them exactly what procedure to follow.

Mr. CANNON. They should address their inquiry to the Department of Commerce?

Mr. NITZE. That is correct.

REQUIREMENT FOR SEMIFINISHED STEEL

The CHAIRMAN. As to semifinished steel, that is shown on this table you have handed us.

Mr. PALMER. It is not much. It indicates, as I think is indicated by the footnote, a relatively minor item of semifinished.

The CHAIRMAN. There is not much of that?

Mr. PALMER. No. In the earlier years, 1937, 1938, and 1939, it was quite small. In 1946 and 1947, it has been larger, but it still remains a small part of the total—perhaps 18 percent.

REQUIREMENTS FOR PIG IRON

The CHAIRMAN. What about the pig-iron item; is there any pig iron involved in this shipment from the United States?

Mr. PALMER. Not under the ECA program. We exported last year 1,265 tons of pig iron to countries other than Canada. That all went out under very close scrutiny and for very special purposes.

Mr. STEFAN. About 300,000 tons, wasn't it, or $3,000,000 worth, altogether? Which is it?

Mr. CAWLEY. About $300,000, or three-tenths of $1,000,000.

The CHAIRMAN. That is all there is of that particular picture?

Mr. CAWLEY. Yes.

The CHAIRMAN. Then I do not believe we need to go into that very much.

REQUIREMENTS FOR STEEL BY VARIOUS PARTICIPATING COUNTRIES

AUSTRIA

On the finished steel, there seems to be 20,000 tons for Austria, which is a considerable increase both over her prewar and 1946 and 1947 figures.

Mr. PALMER. Are you referreing to this first figure here under 1948–49?

The CHAIRMAN. Yes.

Mr. PALMER. Those are imports from participating countries; they are not from the United States.

The CHAIRMAN. That is, the Austrian figures are not from the United States?

Mr. PALMER. No.

BELGIUM AND LUXEMBURG

The CHAIRMAN. The next item seems to be Belgium and Luxemburg, where there seems to be a considerable step-up not only of their domestic production above prewar but of the imports, and there seems to be 73,900 tons of ECA shipments. Why would that situation arise and why would it be so large?

Mr. PALMER. Before the war, if I may go back that far, Belgium was a prime source of crude and semifinished steel for the British finishing industry. Since the war, the Belgian national policy has been to increase the proportion of finished steel produced in that country contrasted with its total steel production, and it is engaged in a program of expanding its finishing facilities. Those include the

installation of continuous hot-rolled and cold-rolled strip mills. At the present time, the continuous cold-finished mill is reported nearing completion. The hot-finished mill, which produces the hot-rolled strip, which is ultimately processed in the cold-finished mill, has not yet been installed.

The greater part of this total of 73,900 tons represents hot finished steel strip in coils which would be processed by this new facility that the Belgians have or are about to complete installing. It is a vanishing item and should not recur in any degree after the second year of the program, and it may actually vanish before that time.

Mr. FRANK. I might also mention that these figures for prewar do not represent anywhere near their maximum prewar attainment. As a matter of fact, if you look at the figure for production prewar, 2,083,000, that is the average of years which were not particularly good years for the Belgium and Luxemburg steel industry. In 1929, Belgium and Luxemburg jointly produced 5,178,000, or more than is scheduled for 1948–49.

The CHAIRMAN. So that they really have a capacity for more tonnage than is here indicated?

Mr. FRANK. Yes; substantially.

Mr. PALMER. Together they have about 8,000,000 tons capacity.

The CHAIRMAN. Then why are not they producing it instead of importing it?

Mr. PALMER. One of the problems has been this matter of German coal. They still do not get quite all they could use. They anticipate increasing those receipts.

The CHAIRMAN. Did they receive more coal in the prewar days from Germany than they are currently getting?

Mr. PALMER. Considerably more; yes, sir. Another factor is the lack of shipping to move high-quality Swedish iron ore to Belgian operators who mix it with the low-grade Belgian and Luxemburg ores.

The CHAIRMAN. There seems to be a considerable ECA shipment in this crude picture. Why would that be?

Mr. PALMER. That does not call for a movement from this country; that is the entire quantity that they would get. Part would come from within the participating countries. This is a matter of financing.

Mr. NITZE. But as to the 22.9 figure, that would be from this country.

Mr. PALMER. Some of the financing, but not the actual weight of material that they arrange to purchase from some other countries.

Mr. FRANK. I might indicate there, too, that the prewar total imports of Belgium and Luxemburg that occurred in "semi's" for the same year in which I gave you the production figure was 454, compared to the 100 shown here.

The CHAIRMAN. You mean of imports?

Mr. FRANK. Yes, sir.

The CHAIRMAN. Were 400 what?

Mr. FRANK. 454,000 tons compared to the 100,000 shown here for prewar.

The CHAIRMAN. Are your production figures that follow along there somewhere near the mark?

Mr. PALMER. Their production of crude and "semi's" in 1929, for the same year I gave you the export figure, was 6,971,000.

The CHAIRMAN. But the 1946 and 1947 figures are somewhere near the mark?

Mr. FRANK. I think those are accurate.

The CHAIRMAN. Are there any pig-iron figures that are somewhere near the mark?

Mr. FRANK. Pig iron, again, is a prewar figure that does not represent a maximum figure.

The CHAIRMAN. I appreciate that, but what was it?

Mr. FRANK. The production was 6,947,000.

The CHAIRMAN. So that they really have a capacity to go up to it?

Mr. FRANK. Oh, yes.

The CHAIRMAN. Their capacity was not particularly damaged in the war?

Mr. FRANK. Not particularly. It is pretty much intact.

Mr. NITZE. Is not the question of imports really a question of particular types of steel?

Mr. PALMER. Yes.

Mr. NITZE. There are some types that they export?

Mr. PALMER. Yes.

Mr. NITZE. But they are short of these particular ones?

Mr. PALMER. Yes.

The CHAIRMAN. The scrap picture is not particularly alarming.

Mr. PALMER. Not in Belgium and Luxemburg.

The CHAIRMAN. And there is enough kicking around for them?

Mr. PALMER. They do not use very much by comparison, proportionately, with the United States, England, and Italy. They produce mostly bessemer steel, for which you do not use scrap in any substantial quantity.

DENMARK

The CHAIRMAN. There seems to be considerable importation in Denmark with a considerable ECA financing. Why?

Mr. PALMER. Denmark depended heavily on Germany for steel to operate her finishing industries; that is, her steel-fabricating industries.

The CHAIRMAN Is this United States again, or does a little go somewhere else?

Mr. PALMER. This is the scheduled Denmark rate, to receive approximately 80,000 tons of finished steel from the United States and 235,000 from participating countries.

The CHAIRMAN. Pig iron seems to be an item there, also. Is that a United States figure?

Mr. PALMER. No; that is not. It is financed from this country, but the material itself will not originate here.

FRANCE

The CHAIRMAN. What about France? There seems to be quite a considerable item of imports and quite a considerable item of ECA financing, in spite of a production away beyond their prewar figure, and their production and imports last year and their availability last year of fully as much as they have had heretofore. Why would that be so high?

Mr. PALMER. First, may I correct your figure of production? That, again, is the result of a poor choice of periods. Actually, the 1939 production of finished steel in France was 6,589,000 tons.

The CHAIRMAN. But that 4,115,000 would be the average.

Mr. PALMER. The average of the more recent years right before the war.

Mr. FRANK. Those were particularly bad years, too.

Mr. PALMER. Europe did not do well in steel production in those years, and this presents an unfavorable picture of their ability to make steel.

The CHAIRMAN. On the other hand, what they did produce in the prewar period was considerably exported, and they are set up to export 1,000,000 tons of steel in the coming year. Is not that right?

Mr. PALMER. That would appear——

The CHAIRMAN. That is the way it is set up, is it not? Anyway, that is the way it is set up according to this table.

Mr. PALMER. They have a responsibility, of course, to ship steel to their dependent overseas territories, and they also have a matter of the exchange of steel between themselves and the neighboring countries.

The CHAIRMAN. It shows here as 1,000,000 tons. I do not. Maybe that is not right.

Mr. NITZE. That checks with the brown book.

The CHAIRMAN. The thing that gets me is that maybe we are going in pretty strong there because they seem to present a picture in 1947 where they were going along at just about the prewar rate.

Mr. FRANK. I think I can explain that. France was one of the largest steel exporters in the world prewar. Just before the war, Belgium, Luxemburg, and France were the really big steel exporters.

The CHAIRMAN. You mean larger than Germany?

Mr. FRANK. Germany was larger earlier, but when Germany began to mobilize she used a larger proportion of her domestic steel production at home. I would say if you would go back to 1929, Germany might be first, but in the immediate prewar years Belgium and Luxemburg were No. 1 and then I believe you would find France would be No. 2, the United Kingdom would be No. 3, and the United States would probably be No. 4.

France always depended upon steel exports in her balance of trade position, in the year before the war.

The CHAIRMAN. To whom did she export?

Mr. FRANK. I think she exported very widely, and still wants to export very widely—mostly tonnage products, not particularly finished products.

The CHAIRMAN. It would seem as if this were one item where this thing could be converted into dollar exchange very largely, and that she should be able to pay for what she gets instead of being financed.

Mr. NITZE. These figures indicate that of the 747,000 tons to be imported 505,000 would be from other participating countries and only 225,000 would come from the United States, and it is my understanding that France does require special products which she does not manufacture herself.

Mr. FRANK. That is correct.

Mr. NITZE. Her exports to the Western Hemisphere, totaling approximately 100,000 tons, would not be sufficient to pay for the total amount she would require from the United States.

Mr. FRANK. That is correct. Half of her exports are to her dependent overseas territory.

The CHAIRMAN. Now, crude and unfinished and semifinished steel, that import item seems to be small, but the ECA finance from us would be what percentage.

Mr. PALMER. The situation there is exactly similar to what I outlined for Belgium and Luxemburg. France is also installing continuous finishing mills. She is not in position to build them, nor does she have the crude material required in the operation of continuous mills. Such equipment is on order in this country and should be delivered possibly in the next 18 months and set up in operation within 6 to 9 months thereafter.

Mr. NITZE. And the United States is possibly the only source of that particular equipment.

Mr. PALMER. It is the only source at the present time.

The CHAIRMAN. Is not Germany producing any?

Mr. PALMER. There was one continuous mill in Germany, but that has been taken by the Russians; it was in the Russian zone and taken by them and moved back into their country.

The CHAIRMAN. And possibly not even producing at all.

Mr. PALMER. I hope not.

GREECE

The CHAIRMAN. You have Greece down for a comparatively big item of ECA finished steel. Is that an intelligent allocation of that item?

Mr. PALMER. Most of the Greek utilities, railroads, bridges and other facilities were rather badly damaged or were destroyed during the war. Greece is still being supplied with materials and must continue to be in order to get her facilities in operation if she is to get back to any form of reasonable recovery.

The CHAIRMAN. But this doubles what she had in prewar, does it not?

Mr. FRANK. No; I believe it is just about at the prewar rate.

Mr. PALMER. You will note it is about 120 as against 125.

The CHAIRMAN. Yes.

Mr. PALMER. Very close to prewar.

The CHAIRMAN. But away above what she got last year.

Mr. FRANK. That is correct.

The CHAIRMAN. And with the ECA financing there too.

Mr. PALMER. You see, the Greek relief program, as far as steel was concerned, did not really get under way until the first of this year.

ICELAND

The CHAIRMAN. Iceland you have down here for a big increase in steel imports as compared with prewar; in fact, a bigger figure than last year. Why is that?

Mr. PALMER. Iceland, prewar, was a part of Denmark and does not show separately in statistics.

IRELAND

The CHAIRMAN. Ireland you have here for more than she had prewar and much more than she had last year, in spite of the fact that she has been able to go along during this period without any embarrassment to her facilities. I wonder why that is?

Mr. PALMER. The Irish are engaged in an industrialization program, and they are also installing——

The CHAIRMAN. When did they start that?

Mr. PALMER. When they were unable to get manufactured goods during the war they undertook to step up their own operation.

The CHAIRMAN. They must have made considerable progress; that looks a bit funny, that we are trying to build that up.

Mr. FRANK. Fifty-one thousand tons of steel would be imported by Ireland, of which only 15,000 would come from this country.

Mr. PALMER. And only 5,000 tons to be financed.

The CHAIRMAN. They have a very considerable trade over there; they should be able to get all they need over there.

Mr. PALMER. Again there is a matter of types of materials that the British are not in position to supply.

ITALY

The CHAIRMAN. You have Italy down for a considerable figure, away beyond her prewar figure for both finished, crude and pig.

Mr. PALMER. The prewar imports——

The CHAIRMAN. That is a way beyond what she got last year. I am wondering why that should be.

Mr. FRANK. I think that the explanation, so far as the Italian situation is concerned is this: It is a specialized type of steel industry; they have been heavily dependent on scrap, and I think that the source of supply they need they have not been able to get——

The CHAIRMAN. In Italy?

Mr. FRANK. Yes.

The CHAIRMAN. I rather thought they were able to pick that up off their own area.

Mr. FRANK. Italy did an excellent job in picking up scrap particularly in 1946 and 1947. Normally they were importing scrap, and there is no place for her to import scrap from, and she needs some tonnage. But I think it is correct to say that Italy's steel capacity is in excess of what they currently produced, and in excess of almost their entire supply of scrap.

The CHAIRMAN. You have down quite a considerable item for finished steel goods, and in spite of the fact that there was not much of that going in in prewar, and this is considerably more than in the two postwar years.

Mr. FRANK. Are you looking at the crude or finished?

The CHAIRMAN. The finished.

Mr. FRANK. Finished: The total imports of finished steel I believe is considerably less than prewar.

The CHAIRMAN. That is right?

Mr. PALMER. Yes.

The CHAIRMAN. But it is more than the average has been for the last 2 years.

Mr. PALMER. The figures that are stated in here are in error. The United States exports to Italy of finished steel, of crude and semi-finished steel amounted to 135,800 tons in 1946 and 226,400 in 1947.

The CHAIRMAN. How much in 1947?

Mr. PALMER. 226,400 tons. That is a combination of semi-finished and finished. I do not have an accurate break-down between them.

The CHAIRMAN. How much of this 462,000 tons of crude and semi-finished steel would come from the United States?

Mr. FRANK. 255,000.

The CHAIRMAN. And what about the finished steel; how much of that would come from the United States?

Mr. FRANK. 50,000.

The CHAIRMAN. And the pig iron: Where would that come from?

Mr. FRANK. That is mostly from Austria. Austria has an exportable supply of pig iron: she is one of the countries that has had a supply of pig iron.

The CHAIRMAN. Where are they going to get the scrap here?

Mr. FRANK. For Italy?

The CHAIRMAN. Yes.

Mr. FRANK. They want some scrap from Germany, from the bizone area; I think they are looking for some exports from bizone Germany. As a matter of fact, I think the imports that are scheduled for that area schedule some to come from the bizone area.

Mr. PALMER. And from southern France?

Mr. FRANK. And from southern France, yes.

THE NETHERLANDS

The CHAIRMAN. The Netherlands: You have got them down for quite a considerable figure; the imports are shown as practically the same as prewar on the finished steel, and a considerable amount of ECA financing. Why should that be?

Mr. PALMER. I should like to give you the prewar of imports.

The CHAIRMAN. What was that?

Mr. PALMER. That figure should be corrected. The figure should read "1,034" as against "770."

The CHAIRMAN. 1,034 is the figure for 1947?

Mr. PALMER. Yes; that is correct.

The CHAIRMAN. How about the proposed imports for 1948–49?

Mr. PALMER. The imports should read "798" instead of "669."

Mr. FRANK. That includes imports into the dependent overseas territories, the 669 figure relates to the Netherlands proper—if you include the dependent overseas territories of the Netherlands the figure on imports should be 798.

The CHAIRMAN. Is the 258.3 finished steel for ECA-financed shipments correct?

Mr. PALMER. Actual shipments of finished steel, 250,000 tons.

The CHAIRMAN. ECA financed 258.3; that is correct?

Mr. PALMER. I would say so, Mr. Chairman.

The CHAIRMAN. That would seem to be a rather big figure for that particular purpose.

Mr. PALMER. That represents tin plate which they do not produce in the Netherlands at this time.

The CHAIRMAN. Does tin plate go in under "finished steel?"

Mr. PALMER. Under "finished steel," yes.

The CHAIRMAN. It does not go in under "tin?"

Mr. PALMER. No.

NORWAY

The CHAIRMAN. Norway: They seem to have a big import item for finished steel comparatively, bigger than prewar and bigger than postwar. Why would that be?

Mr. PALMER. Norway has only a very modest steel industry. They have, however, embarked on a program for building up an industry. During the war Norway lost almost her entire deep-sea fleet, fishing vessels, whaling ships, and cargo ships. This steel is intended to help rebuild those facilities.

The CHAIRMAN. Is that an item to come largely from the United States?

Mr. PALMER. The United States would supply 100,000 tons of finished steel as our part of the 351,000 programed.

The CHAIRMAN. And this 29.4 of ECA financing?

Mr. PALMER. Yes; of the roughly 70,000 tons that would be secured from us.

The CHAIRMAN. And of the crude and semifinished steel; what about that?

Mr. PALMER. That would come largely from, if not entirely from European sources, not from this country.

The CHAIRMAN. That seems to be a big item also.

Mr. FRANK. Again the prewar figure there is not too good, Mr. Chairman. The exact amount of prewar, according to my figure, would be about 437.

The CHAIRMAN. Do they have a considerable amount of ore?

Mr. PALMER. Only part of their supplies of this raw material are presently being utilized, but it is part of their national program ultimately to build up a substantial domestic steel industry. This industry would utilize local Norwegian iron ore and coal from Spitzbergen. They also have the electric power; and plan to get into domestic production as promptly as they can. They do have sufficient domestic ore for such a program.

Mr. CANNON. Sweden has been the source of supply for Germany

Mr. PALMER. Yes.

Mr. CANNON. As a matter of fact, the complaint in Germany was that they were not able to produce steel as efficiently in prewar because of the inability to secure Swedish ore.

Mr. PALMER. Yes.

Mr. CANNON. Do you know whether the ore field of Sweden runs over into Norway, whether it is pretty much the same geological formation?

Mr. PALMER. The ore in that part of Sweden from which the tonnage sent to Germany came occurs in an area north of the Arctic Circle and lies well within the boundary of Sweden, and does not run westward as far as Norway.

Mr. CANNON. There is no immediate prospect of exhausting the Swedish ore field, is there?

Mr. PALMER. There is no indication that there is. They have very extensive deposits, and it is as you say, a very high-grade material. Germany, in fact, imported a very substantial quantity of ore from Sweden.

The CHAIRMAN. Portugal: We will pass over that; there are no ECA-financed shipments.

SWEDEN

For Sweden you have down imports of 495,000 tons of finished steel, and 343,000 tons prewar.

You also show imports of 20,000 tons of pig iron and a very considerable quantity of scrap.

Mr. PALMER. Only 197,000 tons of finished steel, however, will come from this country. The balance would be from participating countries except for a very minor tonnage. None of the pig iron, none of the semifinished and none of the scrap would come from this country.

SWITZERLAND

The CHAIRMAN. Switzerland seems to be down for a considerable amount, more than prewar, in spite of the fact that the imports for 1946–47 were large. Why would that be?

Mr. PALMER. The principal source of Swiss imports was Germany. They cannot get the types of steel they want from Germany now or from any other source than this country.

The CHAIRMAN. How much of that is to come from the United States?

Mr. PALMER. Finished steel, 88,000 tons only. They will finance that themselves.

The CHAIRMAN. What about the crude and semifinished steel?

Mr. PALMER. There will be 47,000 tons, but that will come entirely from the participating countries, none from this country.

The CHAIRMAN. And pig iron?

Mr. PALMER. That will come from the participating countries, again.

The CHAIRMAN. And scrap?

Mr. PALMER. The scrap will be obtained from participating countries.

TURKEY

The CHAIRMAN. Turkey seems to have a rather large item; not so much larger. Would that come from the ERP?

Mr. PALMER. One hundred and fifteen thousand tons; it is divided 76,000 United States, and 65,000 participating countries; the balance of 14,000 from other nonparticipating countries.

UNITED KINGDOM

The CHAIRMAN. The United Kingdom seems to be importing a considerable quantity. Would that come from the United States?

Mr. PALMER. The first item—1,400,000 tons of total imports—104,000 tons only would come from the United States while the participating countries would supply 1,244,000.

The CHAIRMAN. What about crude?

Mr. PALMER. Crude: The United States will supply 292,000 tons out of the 700,000-ton total.

The CHAIRMAN. Those figures for both set-ups are bigger figures than they have ever had prewar.

Mr. PALMER. Yes. The consumption of steel in Britain has advanced very substantially; her steel-manufacturing facilities were greatly expanded during the war.

The CHAIRMAN. Due to their rehabilitation of their shipping industry.

Mr. PALMER. Yes, in part; and their ability to make other types of consumer durable goods, machinery in particular.

The CHAIRMAN. They are away above prewar figures in quantity available, almost 50 percent.

Mr. PALMER. They are making more steel today than they ever did, including the war period.

Mr. FRANK. I would like to point out that those figures are rather deceiving, considering the figures of how much steel Britain used of actual finished steel and the amount of available supply.

The prewar figures of finished steel, if taken for 1947, would give her an available supply, instead of 7,670,000, of 9,846,000; and the figure for 1949 would be roughly 1,000,000 tons higher.

GERMANY

The CHAIRMAN. Germany seems to be down for considerable imports, not as big as prewar, but it has a considerable figure. How much of that is to come from the United States?

Mr. PALMER. None.

The CHAIRMAN. What about the crude and finished?

Mr. PALMER. None.

The CHAIRMAN. And pig iron?

Mr. PALMER. No pig iron; all from the participating countries in each instance.

TRUCKS

STATEMENTS OF J. E. GLYNN, CHIEF, TRANSPORTATION AND COMMUNICATIONS BRANCH, OFFICE INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE; ROBERT O. SWAIN, JOHN W. TUTHILL, MISS ELIZABETH MIMS, H. H. KELLY, OFFICE OF TRANSPORTATION AND COMMUNICATIONS, DEPARTMENT OF STATE

The CHAIRMAN. Mr. Glynn, you are to present the picture on trucks?

Mr. GLYNN. Yes, Mr. Chairman.

The CHAIRMAN. What is your position?

Mr. GLYNN. I am Chief of the Transportation and Communications Branch, Office of International Trade.

The CHAIRMAN. Do you also have the item for freight cars?

Mr. GLYNN. Yes; Mr. Tuthill and I are to cover those two items.

The CHAIRMAN. Maybe we had better take one of them at a time. We will start off with trucks. Will you tell us about the production of trucks, and the status of the truck situation?

First, do you have a table that you can present to the committee?

Mr. GLYNN. I have no other table than the one that is before you. I just have my individual part of it.

ESTIMATE OF TRUCK PRODUCTION AND EXPORTS UNDER PROGRAM

The CHAIRMAN. The truck production in the United States is estimated for 1947 at 1,239,000; for prewar it was 694,000. The domestic supply is given as 959,000, and the export supply as 280,000, with 22.6 percent, in the percentage of exports, as against just about the same percentage prewar.

Under exports to participating countries you set up 45,000 out of 280,000 total exports, or 3.6 percent. Is that the correct figure?

Mr. GLYNN. That is correct.

The CHAIRMAN. Which was less than for prewar?

Mr. GLYNN. Prewar—1937, 5.6 percent.

The CHAIRMAN. And the percentage of other exports, out of the total number of 235,000, is given as 18.9 percent.

BASIS FOR ESTIMATE OF PRODUCTION

On the over-all figure you are estimating a reduction in the production of trucks, so that for the 15-month period, beginning April 1, it will be just about what the oroduction in 1947 was. Is that borne out by current operating figures?

Mr. GLYNN. It is borne out by statements received from the Automobile Manufacturers Association, from their own schedule of production.

The CHAIRMAN. From their schedule of production?

Mr. GLYNN. Yes; based on previous experience.

The CHAIRMAN. Where did you get the figure of 910,000 for domestic supply?

Mr. GLYNN. Those figures are likewise taken from the Automobile Manufacturers Association, the most authentic source of information for those figures.

The CHAIRMAN. And where did you get the export figures?

Mr. GLYNN. Both from the Census and the Automobile Manufacturers' Association.

The CHAIRMAN. What about the estimate for next year; where did those figures come from?

Mr. GLYNN. From the Automobile Manufacturers' Association.

The CHAIRMAN. The over-all figure for the participating countries is 49,000 as compared with 45,000 for 1947; 49,000 for 15 months; that would mean about 39,000 for a 12-month period?

Mr. GLYNN. Yes, sir.

STATUS OF SUPPLY OF TRUCKS

The CHAIRMAN. And the 300,000 for exports to other countries. Are not trucks in quite short supply here?

Mr. GLYNN. Not according to the statement we have got from the Automobile Manufacturers' Association; they are particularly concerned about the demand for trucks as against their present schedule of production.

Mr. CANNON. You say they are not concerned?

Mr. GLYNN. No; they are concerned.

Mr. CANNON. In other words trucks are plentiful?

Mr. GLYNN. That is correct.

Mr. CANNON. You can get a truck anytime you want it in my section, in Missouri.

Mr. GLYNN. Yes; you can get trucks much more readily than you can passenger cars.

Mr. KEEFE. There is difficulty with types of trucks?

Mr. GLYNN. There is some.

Mr. KEEFE. The relative difficulty with supply depends upon the type of truck desired?

Mr. GLYNN. Yes. These estimates are based on the trucks that are normally used in the transportation business, and those trucks are in

quite good supply. However, if you want an especially built truck it takes time to design and build it.

Mr. KELLY. Mr. Chairman, I checked with the Automobile Manufacturing Association concerning trucks, and my information is that on the heavy trucks the demand is pretty well satisfied and salesmen for the heavy trucks are now seeking orders. And in the medium-sized trucks the demand is about satisfied, and some of the facilities of the manufacturers are being put on the lighter trucks. With the lighter trucks they expect to satisfy the demand in a very few months; by the time the order for this business comes along the companies will be looking for export orders. In other words, the passenger car has no counter part in the truck situation.

REQUIREMENTS FOR TRUCKS BY VARIOUS PARTICIPATING COUNTRIES

AUSTRIA

The CHAIRMAN. You have a request for imports for Austria of 2,000 trucks, with 1,466 to be financed, ECA, making the total availability of 3,500 as against a prewar available supply of 847, and for 1946 of 632.

Austria used to be an exporter of trucks. Why is she not able to take care of her own needs?

Mr. GLYNN. The industry has been depleted and devastated on account of the war. That is the most outstanding reason for the condition.

The CHAIRMAN. I know that, but why should they be getting four times as many as they had prewar? That looks like a pretty liberal allotment?

Mr. KEEFE. As I understand it, Mr. Chairman, these figures indicate a prewar production, domestic, of 1,223, and for 1948–49 of 1,500.

The CHAIRMAN. Yes. They exported 375, prewar, and at this time with a larger production they are going to get more—we are going to crowd 2,000 on them. I do not know why; maybe that is something that could be explained.

Mr. SWAIN. Most of their supply is from enemy equipment and some United States Army surplus, that are not economical vehicles for civilian use.

The CHAIRMAN. Are the figures made up most from trucks that the ordinary farmer and businessman can use; that is, for the half-ton, the ton or ton-and-a-half truck; or do they represent the bigger trucks?

Mr. SWAIN. Most of them are one-metric ton trucks, corresponding to the ton and the ton-and-a-half capacity here.

The CHAIRMAN. That accounts for the most of them?

Mr. GLYNN. They do not have any production, to amount to anything so far as our figures show——

The CHAIRMAN. Then why do you tell us here that they have a production of 526——

Mr. GLYNN. I beg your pardon, Mr. Chairman.

The CHAIRMAN. And why do you tell us they have an anticipated production in 1948–49 of 1,500, if they do not have any production?

Mr. GLYNN. I am sorry, Mr. Chairman, I was looking at the freight-car line; because it is the fact that they do have a scheduled production in the amount of the figures shown on this chart.

Mr. KEEFE. As you have brought out, I do not quite understand this set-up. The total available supply for Austria of trucks for 1948–49 is 3,500 units, as set up in the table before us, of which 2,000 are to be imported, and 1,500 to be produced domestically; 1,466 of ECA funds, and I assume 534 are to be paid for with their own dollars.

Now in prewar the available supply was only 847 as against a total available supply, in 1948–49 of 3,500, and their domestic production was 1,223, and they are scheduled to go up to, according to this table, 1,500. What is the explanation for the necessity for the people of America to give away 1,466 units in the face of the mounting production anticipated domestically, why is it necessary to boost their available supply from 847, prewar, to 3,500 in 1948–49?

Mr. SWAIN. The 3,500 requirement is predicated on 11 percent of their current registration. In 1947 they had around 33,000 registered in Austria. The 3,500 is the replacement factor, to keep their present fleet up to strength. The United States replacement factor is around 10 percent.

The CHAIRMAN. How would they ever maintain in prewar a fleet of 33,000 trucks?

Mr. SWAIN. The 33,000 figure was for 1947.

The CHAIRMAN. The 1947; with an available supply of 847, that would mean that one truck would last 40 years. Those two things just do not go together.

Mr. GLYNN. The prewar registration, in 1937, was 13,817; for 1938 it was 15,450. As stated previously, the 1947 registration was 33,000; and the 1948 estimated is based upon those figures, which would seem that the allocation of the number of trucks we have set up here would be required to keep their fleet at the present level.

The CHAIRMAN. 37,000?

Mr. GLYNN. 33,000 is the present registration.

The CHAIRMAN. Where did they get these trucks? From Army surplus?

Mr. GLYNN. Many of them came from the Army; some of them are captured vehicles, as well as from converted passenger cars.

The CHAIRMAN. That is a pretty big supply of trucks for a population the size of Austria.

Mr. GLYNN. As stated before, the use of trucks is coming more into vogue. Their railroads have been depleted to a certain extent, and the addition of the fleet of trucks we have outlined will keep them on a level with registration as was outlined for 1947.

BELGIUM–LUXEMBURG

The CHAIRMAN. For Belgium-Luxemburg there is shown a prewar production of 8,000, according to the table that has been furnished to us; and they seem to be down for a production of 7,200 for 1946, and none for 1947. It is estimated that they will produce only 1,500 in 1948, and will receive imports of 7,600. I am wondering if those figures are anywhere near the mark?

Mr. GLYNN. I think we have a correction for the figures here, Mr. Chairman.

The CHAIRMAN. What are the correct figures?

Mr. TUTHILL. Prewar, domestic production was 632.

Mr. KEEFE. Instead of 8,632?

Mr. TUTHILL. Yes.

The CHAIRMAN. And what were the imports?

Mr. TUTHILL. Total imports were 10,359.

The CHAIRMAN. 10,359 for what year?

Mr. TUTHILL. That was for 1937.

The CHAIRMAN. How did you happen to arrive at the figure you have in these tables?

Miss MIMS. They have large assembly plants in Belgium, and the production figures were confused to include the assembly capacity; with the changes the imports now cover the assembly capacity.

The CHAIRMAN. You mean that the imports cover the units that came in, knocked down for assembly?

Miss MIMS. That is correct.

The CHAIRMAN. What about the 1946 figure?

Mr. TUTHILL. Those figures are wrong also. The imports for 1946 should be 14,370.

The CHAIRMAN. That is on the basis of the assembly figures?

Mr. TUTHILL. That is the imports for assembly.

The CHAIRMAN. And the 7,000 figure should be what?

Mr. TUTHILL. That should be zero.

The CHAIRMAN. It should be zero?

Mr. TUTHILL. Yes.

The CHAIRMAN. And the 1947 figure is correct?

Mr. TUTHILL. That is correct.

The CHAIRMAN. They do not have down any prewar production to amount to anything.

Mr. TUTHILL. Only the assembly.

The CHAIRMAN. Is that 1,500 prospective production just assembly?

Mr. TUTHILL. No; that is plus assembly.

The CHAIRMAN. Plus assembly. How many trucks do they have now?

Mr. GLYNN. 95,000 in 1947.

The CHAIRMAN. Are they mostly surplus material?

Mr. SWAIN. Roughly 28,000 of them are 10 years or older.

The CHAIRMAN. What about the rest of them; are they from Surplus?

Mr. SWAIN. The majority of them are surplus, or equipment left over from prewar.

The CHAIRMAN. How did you get as big a figure for imports as 7,600, and as big a figure for ECA financing as 6,400?

Mr. KELLY. It might be noted that from 1947 Belgium imports are paid for in cash.

The CHAIRMAN. I understand that, and you figure to have 1,200 of this number paid by for cash. Where are they to come from, mostly?

Mr. TUTHILL. They are to come from the United States.

The CHAIRMAN. Out of United States production?

Mr. GLYNN. Yes.

The CHAIRMAN. They never used to be, were they?

Mr. SWAIN. Yes.

Mr. GLYNN. They have some large assembly plants over there.

Mr. KELLY. Yes; Ford, General Motors, and Chrysler have plants over there.

The CHAIRMAN. For Denmark there is shown a prewar production of 250; imports of 7,200. It is suggested for 1948–49 that the imports be 8,000, with no production; and 6,200 availability, indicating there must be some exported, or an evaporation of some kind of some 1,800. I am wondering if anyone can tell us something about that?

Mr. GLYNN. That is for reexport to their dependent overseas territory.

Mr. KELLY. Denmark has an assembly plant.

The CHAIRMAN. Where would they go to overseas dependency from Denmark? You mean that is a distribution point; is that the idea?

Mr. KELLY. To their markets.

The CHAIRMAN. If that is so why should we have to finance 2,678 of them?

Mr. NITZE. The financing of the trucks to Denmark relates to their over-all balance of payment situation. Out of an anticipated import of $265,000,000 they only have $24,000,000 with which to pay for those imports.

The CHAIRMAN. Of course, if she handles that large volume of business, and distributes them to other countries, she ought to get something out of it for herself, or she would not be doing it.

Mr. GLYNN. She also imports from Belgium and France.

The CHAIRMAN. Are there any other questions on Denmark?

Mr. KEEFE. I do not quite understand, Mr. Chairman. They show total imports of 8,000. What part of those imports are imports from the United States?

Mr. NITZE. Six thousand.

Mr. KEEFE. Where is she getting the other 2,000 imports?

Mr. NITZE. From other participating countries.

Mr. GLYNN. From Belgium, France, and England.

Mr. KEEFE. Are these exports to Belgium and France and reexports to Denmark? I cannot get this thing clearly in my mind.

Mr. KELLY. Mr. Chairman, there is a mixture of supply and demand in Europe. Take the country of Denmark, normally before the war they bought from England, France, and Belgium. They bought passenger cars and some trucks from them, and the great balance of what they got was from the United States for these assembly plants which our companies have over there. Denmark sells to England, France, and Belgium, and on the other hand she will buy some trucks from them, but the great volume, again, is from the United States for those assembly plants, so that you can conceive of Denmark as a country that both imports and ships out some from her assembly plant production which she has.

Mr. NITZE. This program has been designed on the assumption that normal private trade channels will be maintained as far as possible and that the normal movements of trade would not be upset where they would continue to make sense. We would not assume that normal exports would be cut off from one country to another unless they involved an inefficient movement.

Mr. KEEFE. Well, that may be an explanation, but still I will have to think about it some before I get it oriented in my own mind as to just how this truck situation is going to work.

Mr. GLYNN. Prior to the war we had normal exports of American trucks into the ERP countries of in the neighborhood of 30,000 a

year, and it is that program that we are trying to follow along, and to keep up our ordinary flow of business that our American manufacturers have enjoyed, and again I would like to point out the fact that our American demands for trucks have been pretty well satisfied.

Mr. KEEFE. Is this a program to reconstruct the American manufacturers——

Mr. GLYNN. No, sir.

Mr. KEEFE. Or the economies of the participating countries?

Mr. GLYNN. Yes, sir. Of the total number of trucks some 29,000 come under the ECA financing of the whole program here.

Mr. KEEFE. How many trucks?

Mr. GLYNN. Some 29,000 is all that comes under ECA financing.

Mr. NITZE. And, Mr. Keefe, the over-all program is less than it has been during 1947.

Mr. KEEFE. The difference is that in the over-all program we are giving away a lot of these trucks. Instead of them paying for them the people of America are paying for them. That is what I am trying to get straightened out in my mind. It begins to look to me that in the truck business it is a reconstruction program to save the American truck manufacturers.

Mr. NITZE. As I understand it these truck assembly plants in Belgium are among the most efficient in all Europe. General Motors and subsidiaries and the Ford Motor Co. have assembly plants there. Also some of the parts are manufactured there. This appears to be the most efficient way of satisfying the minimum truck requirements of those countries.

Mr. SWAIN. In that connection the assembly plants do not take their complete knock-down unit necessarily from the United States, but in many instances they purchase certain parts locally. For example, batteries, seats, and seat covers are produced there. So, the assembly plants in Europe do contribute somewhat to the economies of the countries in which they are located.

Mr. GLYNN. And the body is another part of the truck that is made over there in the assembly plants.

The CHAIRMAN. Does that mean that this program is primarily an item for the rehabilitation of these countries, or is it something that some of you folks that call yourselves economists have gotten up for the purpose of preventing truck manufacturers from spreading their forces into the development of something else that there is a major demand for and continuing the inflationary price of commodities here? I am wondering about that.

Mr. TUTHILL. In each case our figures are based upon our analysis of the needs of the country.

The CHAIRMAN. How many cars do they have registered in Denmark?

Mr. GLYNN. They had 42,000 in 1947.

The CHAIRMAN. 42,000?

Mr. GLYNN. Yes, sir, that is right.

Mr. TUTHILL. And that is compared to 40,000 in 1938.

The CHAIRMAN. That means that whereas the figure which was used for some of these other places was 10 percent replacement, here you are using 15 percent.

Mr. TUTHILL. Yes, sir.

The CHAIRMAN. Those figures are interesting to say the least.

Mr. KEEFE. Mr. Chairman, I would like to ask a question. The statement has been made that these estimates for ECA participation in this over-all block of trade, insofar as it relates to trucks which are now under consideration, was based upon estimates that have been compiled indicating the needs of the respective countries. That statement was just made.

Am I to interpret from that, that that estimate is based upon the total registrations of trucks in each country and then an arbitrary formula adopted for replacement based upon the percentage of obsolescence that should be made to determine the need of the country for trucks?

Mr. TUTHILL. It is based upon what we know of the registration, sir. It is also based upon what we know of the condition of the trucks. As you, of course, are aware the age of them is much greater now than it was prewar. So, we have allowed for some greater replacement now than prewar to get rid of these old obsolete trucks, and in many cases, as in the case of Austria with old United States Army and German Army equipment, we have attempted not just to use arbitrary replacement figures, but we have used our experience here. We have here tried to relate that to the registration in the particular country.

Mr. KEEFE. What do you mean by that, the use of our experience here; what does that refer to?

Mr. TUTHILL. Just as a guide. Our own trucks are replaced, at 10 percent annually. In the first place it need not necessarily be 10 percent in Europe. Different countries have a different replacement ratios, but we have attempted to find out what that normal ratio would be in each country and then have made adjustments in terms of the unusual type of parts that they now have.

Mr. KEEFE. What is the objective that you are seeking to attain as a result of this reconstruction program insofar as it relates to trucks?

Mr. SWAIN. Only this, to allow sufficient transport to handle the essential shipments within that country.

Mr. KEEFE. All right, how many trucks are necessary to maintain the essential transport in Belgium and Luxemburg?

Mr. SWAIN. Well, that figure is 95,000, and the replacement of 10 percent or 9,000. We are figuring on the basis of the present patterns of traffic and maintaining approximately their current registration which is considerably above prewar.

Mr. GLYNN. My idea about that is that Belgium is what can be termed a transit country. The ports of Belgium supply not alone Belgium with their supplies, but the supplies for other countries, Germany, and down into probably Switzerland and France.

Netherlands and Belgium are two transit countries. Their ports are so situated that they handle merchandise coming in for other countries other than their own, and it is necessary to have a good transportation system there to handle the shipments which are going to other countries.

Mr. KEEFE. I think that is academic, and I think everybody would know that that would follow clearly. What I am trying to get at, and to satisfy my own mind on, is the basis that you use. You say

last year they had registration of trucks, private transportation that was provided last year in the number of 95,000 trucks. That is the registration. Now, you seek to maintain that total of 95,000 trucks, is that right?

Mr. GLYNN. Yes.

Mr. KEEFE. Through replacement with new trucks?

Mr. GLYNN. That is right.

Mr. KEEFE. Is that right?

Mr. GLYNN. That is right, sir.

Mr. KEEFE. Then you arrive at these figures by taking the percentage of obsolescence of the 95,000 trucks?

Mr. GLYNN. That is right; yes, sir.

Mr. KEEFE. Do you do anything more than that?

Mr. SWAIN. That gives us a different percent for each country, which ranges from a replacement factor of 10 percent in Austria down to as low as 4 percent in Sweden, 4 percent in Switzerland, and as high as 35 percent in Turkey, 13 percent in Ireland, and down to 5 percent in Norway, depending on the ages of the fleets in those particular countries.

Mr. KEEFE. Then it is all based upon the consideration of how many trucks they have in operation, what their ages are, and how long they have been operated?

Mr. TUTHILL. That is right, and as far as we know the size of the fleet was satisfactory. What we are trying to do next year is maintain that same size fleet for them.

Mr. KELLY. Plus, Mr. Keefe, hard experience which has been gained from 20 years of shipping United States trucks to Europe, in which the volume of trucks shipped over there has been very large. Before the war it was about 35,000 a year. Last year it was 45,000 trucks. That was under tough import and currency restrictions, and a small supply of dollars. Under those conditions those countries actually purchased more trucks from us than we now propose to give them under this plan. Every one of those trucks that they bought was based on need. Somebody had to have them, and they bought them.

PREWAR EXPORTS OF TRUCKS

The CHAIRMAN. How does it come that you gave us a figure on this table of 15,500 prewar exports?

Mr. KELLY. I do not remember that figure, Mr. Chairman. Let us see if we can find it.

The CHAIRMAN. 155,000 is the figure, total prewar exports; that is it.

Mr. KELLY. Yes; that is to all the countries of the world.

The CHAIRMAN. And only 38,000 of them went to the participating countries?

Mr. KELLY. I have used the figure 35,000.

The CHAIRMAN. You used the figure for Belgium which was equal to all of these participating countries, not the over-all figure?

Mr. KELLEY. My statement was made as to what all the 16 participating countries imported; 45,000 trucks last year and 35,000 prewar.

REQUIREMENTS FOR TRUCKS BY VARIOUS PARTICIPATING COUNTRIES

FRANCE

The CHAIRMAN. France does not seem to be importing trucks but seems to be exporting them.

GREECE

Greece seems to be in for quite a considerable importation as compared with prewar, and the biggest part of it is financed by us.

Mr. GLYNN. The registration in Greece in 1947 was 13,840.

The CHAIRMAN. It was 13,840?

Mr. GLYNN. Yes, sir; of which only 8,720 were serviceable.

The CHAIRMAN. What was their prewar registration?

Mr. GLYNN. We have no figure for 1938 but we have for 1937, which is 5,225.

True, it must be pointed out that some of this equipment, I cannot say how much of it, got into Greece through UNRRA and also through the Allied forces. With Greece about desperate for food supplies she must have some supplemental transportation because her rail system is in rather poor condition.

The CHAIRMAN. You are estimating on 1,500 going in there, of which 968 will be in the ECA program.

Mr. GLYNN. Yes, sir.

The CHAIRMAN. Are there any further questions on that?

Mr. KEEFE. Who makes the determination as to the character of these figures; where do you get your figures on that?

Mr. SWAIN. The figures originated at the CEEC Conference which was held in Paris.

Mr. KEEFE. Those figures were submitted by the participating countries; is that right?

Mr. SWAIN. Yes, sir; and then we scrutinized them here to determine whether they appeared consistent with the age of the fleet, and with maintaining their 1947 fleet.

Mr. TUTHILL. This particular figure was sent back to the Griswold mission. We did not simply accept the Greek figure. As a matter of fact, this particular one is a curtailment of the figure which they submitted.

ICELAND

The CHAIRMAN. On your Iceland picture you have a very small prewar set-up. They did not have many trucks then, although you have quite a large 1946 and 1947 figure.

Mr. GLYNN. Prewar Iceland had a registration of 1,060, and we have no 1947 figure for them, but their 1946 figure was a registration of 3,685.

In 1947 they had an importation of 1,494, all of them from the United States.

The CHAIRMAN. That was the source of most of those trucks, outside of what surplus was left there; is that right?

Mr. GLYNN. That would be reasonably true.

The CHAIRMAN. Have they gotten rid of their animals that they used to have to do their hauling, or do you not know anything about that?

Mr. GLYNN. I do not know about the animals; no.

The CHAIRMAN. Maybe we cannot find out, but it seems kind of funny that we have an ECA set-up there of 188 to be financed that way.

IRELAND

Now, in Ireland you have a prewar importation of 393, a 1946 importation of 1,351, and a 1947 importation of 5,352. With no loss of animals to speak of there are 2,400 proposed for next year, of which ECA finances 329 of them. Do those come from the United States?

Mr. GLYNN. Here it must be pointed out, Mr. Chairman, that Ireland likewise has an assembly plant in Dublin where, I think, there are two American manufacturers that have plants.

Mr. KELLY. It is one. I think it has a small production.

The CHAIRMAN. This 2,400 will come from the United States.

Mr. KELLY. No; some of those will come from England.

Mr. SWAIN. There will be 1,000 coming from the United States.

Mr. GLYNN. Yes; 1,000.

The CHAIRMAN. Why would we be financing that with ECA funds?

Mr. NITZE. That again relates to Ireland's over-all balance-of-payment situation.

The CHAIRMAN. It is a balance-of-payment situation rather than need. Would it be a loan or grant?

Mr. NITZE. It would probably be loans.

The CHAIRMAN. But "probably" does not help much.

Mr. NITZE. I think only the Administrator could testify to that, Mr. Chairman.

ITALY

The CHAIRMAN. In the Italian picture there is no importation there.

THE NETHERLANDS

In the Netherlands you have a prewar figure of 3,800 imports, in 1946 3,400, and in 1947 none, with a 13,000 proposal for 1948–49, with 11,000 out of ECA funds. Now, that sounds like quite a big figure. Would the whole 13,000 come from the United States?

Mr. SWAIN. 7,250 of them are planned to be exported from the United States, Mr. Chairman.

NORWAY

Mr. WIGGLESWORTH. In the case of Norway you seem to be contemplating the importation of 1,800 trucks, 780 of which are to be financed by ECA with a total availability of 1,800, as compared with 2,867 prewar, and about 2,795 in the current year.

THE NETHERLANDS

Mr. KEEFE. I wanted to ask a question about the Netherlands, if I may, to get this straight in my mind.

Mr. WIGGLESWORTH. Proceed.

Mr. KEEFE. Apparently so far as Netherlands is concerned you had available a prewar supply of 3,504 trucks. In 1946 they had a total available supply of 3,346 with total imports of 3,438.

Now, it is proposed in this program to make the available supply to the Netherlands for 1948–49 13,310 units, of which 11,323 are to be provided for with ERP funds. There are 7,250 to be exported from the United States and the balance of the 11,323 are to be purchased from other countries. Why is there that tremendous jump in the total available supply as between 1946 and 1947 and the present? What is the necessity for it?

Mr. SWAIN. We are trying to rehabilitate the fleet. Two-thirds of the existing fleet or the 1947 fleet of 63,000 is composed of ex-Army units. They are in the same condition as they are in Austria.

Netherlands is a port country. They are doing more highway transport than any other country in Europe is at the moment. They have long-distance hauling, going all of the way down into Switzerland and Austria. This is predicated on the basis of replacing as much as possible of the Army fleet which is now in existence, which comprises two-thirds of their total fleet of trucks.

Although they have not the exact numbers, they have indicated that the greatest demand is for small delivery trucks—trucks of 1-ton and 1½-ton capacity.

Mr. KEEFE. What was the number shipped to them last year?

Mr. TUTHILL. The total was 6,857. That figure was not contained in the original table, sir.

Mr. KEEFE. 6,000?

Mr. TUTHILL. 6,857 in 1947.

Mr. GLYNN. That was their total imports.

Mr. KEEFE. What portion of that number was shipped from the United States last year?

Mr. SWAIN. 2,700.

Mr. KEEFE. They bought and paid for, despite all of the intricacies of foreign exchange and the difficulties in that regard, 6,857 trucks in 1947. Is that what those figures mean?

Mr. TUTHILL. Yes, sir.

Mr. KEEFE. Now you propose to boost that amount up to 13,250 for 1948–49 and you are asking the taxpayers of America to pay for 11,323 trucks which is not quite double the number of trucks which they bought and paid for this last year with their own money.

What explanation can you give, or can I give, to the people that I represent as to why we should do that?

You are asking the taxpayers of America to pay for more than twice as many trucks as they had last year or imported last year, which they paid for themselves. Now, they are not going to pay for any of this 11,323, apparently, according to this table that we have before us, and the taxpayers of America are being asked to pay for them. We are giving them to them. It may be a loan or a grant, I do not know, and I am not going to keep on asking questions and have you say we do not know whether it is a loan or a grant. I am treating it as a gift, so you do not need to shake your head. I am not sure yet. It may be a gift, a loan, or a grant, and nobody has been able to specify with certainty, and it has always been said that is up to the Administrator to determine, but so far as I am concerned, and as the record stands, I am going to presume it is gift unless it is otherwise shown.

What can I say to my people with respect to a situation like that? In other words, there are 13,250 units that are expected to be imported in 1948–49, of which 11,323 are to be financed under the ERP program, or whatever it is.

That is 1,927 trucks, then, that they are going to pay for with their own dollar exchange as against 6,857 that they paid for this last year.

Now, what is the explanation that I can give to the people that I represent who are being called upon to furnish this money, and what explanation can I make to them as to the reason why, in view of the fact that they themselves paid for 6,857 trucks that they imported last year and this year they are going to import 13,250, and we are only going to ask them to pay for 1,927 of them?

Mr. NITZE. The explanation of that, Mr. Keefe, is that last year the Dutch paid for a considerable percentage of their imports by running down their accumulated gold and dollar holdings. Those gold and dollar holdings have now been torn down to a point where they cannot tear them down further without completely destroying their economic base.

Mr. KEEFE. So far as this committee is concerned all we have is your word on that.

Mr. NITZE. When the Treasury representatives come here they will testify on that.

Mr. KEEFE. I presume they will be able to give us those facts.

Mr. NITZE. Yes, sir; they will be able to give you the facts on the gold and dollar holdings of the participating countries, and the reason why, in certain instances their gold and dollar holdings cannot be further torn down without jeopardizing the entire program of European recovery. Therefore, the question as to the number that they paid for last year seems to be, at least, related to their over-all balance of payment problem, and their gold and dollar holdings.

The second point as to why they need to have these trucks is that we can get European recovery faster by the replacement of old inefficient trucks, which are large consumers of gasoline and that are not proper to do the job that they have to do, if we can get recovery faster by using trucks of this type it would be better than using this old Army type of equipment which was devised for an entirely different purpose than that for which they are being used.

Mr. TUTHILL. That is based on our appraisal that this two-thirds which is in this absolete category is becoming progessively worse year after year and that, therefore, the amount of replacement in 1948 and 1949 will have to be greater than the amount of replacement in 1947.

Mr. NITZE. I might make one further point, and that is that this 11,323 includes certain exports made to the Netherlands dependencies.

This first column here ECA shipments, includes not only the shipments which are made to the mother country, but also those made to the dependencies, and so there is included in that item approximately 925 from this country which it is anticipated would be needed in the Dutch East Indies and other portions of the Dutch dependencies which are greatly in need of rehabilitation at the present time.

Mr. KELLY. Mr. Keefe, I can say that every point that you have made is a very good one, sir. Last week we on the staff recognized the figure for the Netherlands appears to be out of line compared with the other countries, and in my opinion it is the only weak figure in this whole tabulation. What you have said about its weakness is correct. If you say that this figure is too high we can only reply and say to you that it is based on the very bad conditions in the Netherlands and on the amount of devastation which was done by the enemy there, and

your judgment on that is just as good as ours. If you say that figure is not justified, I would put up against that this fact, that some of our other figures may be just as bad on the weak side when we say a country needs 2,000 when maybe it is 3,000 and, therefore, I would suggest that is a problem that the Administrator himself has to decide who is going to use these figures only as over-all estimates, and who will test every one of these countries on the facts that they can produce to justify their requests quarter by quarter. That is where the real test of every one of these figures will come, not in our judgment, or, perhaps, in the judgment of the committee here.

That is a partial defense of our figure which we recognize, as I have said is relatively weak, and which you have said is a weak figure.

Mr. KEEFE. When we are dealing with the 16 participating nations we are, of course, on this theory dealing with their dependencies, also, are we not?

Mr. KELLY. Yes, sir.

Mr. KEEFE. So when we talk about the Netherlands we are talking in terms of the Netherlands and her dependencies, and when we talk about Great Britain we talk of the British dependencies also, and the French the same way. So if the Netherlands East Indies require rehabilitation the Netherlands are included in these computations. So that the public may understand when they are talking of the 16 participating countries, when you refer to the Netherlands they objectively refer to the Netherlands in Europe that was war devastated and not, perhaps, to the Netherlands East Indies which, by the way, is a poor illustration, because they were very badly war devastated also, but they might think of some of the dependencies of France in South Africa, for instance, that were not war devastated. We must think in terms, is it true, of the whole country with its dependencies and the necessity for reconstruction? Is that the way I understand it to be?

Mr. NITZE. Yes, sir; that is correct, sir. One of the real advantages in the situation is that the dependencies can make greater and greater contributions over the next 3 or 4 years.

Mr. KEEFE. Now, there still lingers in the back of my mind some unresolved questions which I am trying to get light on in order to be able to answer succinctly some of the questions that are being asked of us, and there is a constantly increasing feeling of resentment against this program that is being built up. You hear it daily in the cloakrooms and on the floor and in letters and correspondence addressed to Members of Congress, and I confess with this picture right here before me I cannot presently give the answers to some of these questions.

I think I understand your attitude and the reasons that you have expressed, and we have the same thing with reference to surpluses of tobacco and surpluses that may be accumulating of some other things, and you hear that we are reaching the saturation point in trucks and the contention will be no doubt made that this is an attempt to hold the line here in this country by providing for large exports of trucks to these participating countries around the world, that the manufacturers will be paid for with ERP funds, and thus we are holding the line in this country.

Those arguments have been made, and I hear them repeatedly from people who are writing in about this thing, and I have to, as one

member of this Committee, justify this appropriation and get the answers to some of these questions, and that is why I am asking you these questions.

Mr. KELLY. I can make one or two comments on that, Mr. Keefe, but I am not sure how helpful they will be. The first is that these countries in Europe estimated their total truck requirements for 4 years at 1,100,000 units.

Mr. KEEFE. I have those figures before me. They said they would need 1,164,286 units, and the Harriman committee made its report and said, "No, you do not need that many you need 1,175,000 units." The Harriman committee said they needed more truck units than they themselves said, and the executive branch of the Government considered both sides and decided that they needed 1,039,260 units.

Now, the CEEC estimate of production was 1,297,260 units.

The Harriman committee's estimate of production was 1,300,000 units, and the executive branch of the Government estimates 1,145,410 units, quite a wide variation of estimates.

Mr. KELLY. We are all agreed, at least, that it was more than a million.

Mr. KEEFE. Yes. I thought the record should be accurate as given in these justifications on page T–68 that have been presented to this committee.

Mr. KELLY. That is right, and I am trying to think of an answer to the problems that you have in mind. If we grant these countries what they want, they also want a large number of trucks from other sources. They want some trucks from the United States, and the reason is that the American truck is a little different type of truck from the European truck. The European truck is predominantly a very light truck with a low horsepower engine, an engine of 10 to 12 horsepower, and our trucks being somewhat larger, and more powerful, even in the comparable 1-ton and 1½-ton sizes are better for their purposes, and so that explains in part some of the total demands for trucks that will come from the United States. That is a partial answer to a question that is properly in your minds.

Another thing is if those countries were able to buy in the tough year 1947 this considerable volume of trucks, continuing the historical pattern that began in the twenties and which continued in the thirties we can properly assume that they will continue to buy them during the year to come with ECA or not.

Mr. KEEFE. I confess that so far as these figures for the Netherlands are concerned it just looks to me as though we decided to ride it for all the gravy train would provide.

Mr. KELLY. The last observation I have to make is when you break it down by these individual countries then you come up with a case of judgment with a figure on individual needs that may or may not be entirely accurate. Your judgment on that may be as good as ours, but the over-all picture is as I have tried to describe it to you.

TRUCK SITUATION IN ITALY AND FRANCE

Mr. KEEFE. Now, as compared with that, we look at the situation back in Italy, and here is a country that was supposed to be war devastated, also. They had a domestic production in 1946 of 17,994, with total imports of 322 units, making an available supply of 17,531, according to the figures submitted here, and in 1947 their domestic

production was 16,063; their prewar domestic production was 18,442, and total imports were 44; and in 1948–49 their domestic production is put down at 10,000, and their available supply as 8,355, which means they are shipping some trucks out, does it not; they are exporting trucks?

Mr. KELLY. They always did. Italy has always been an exporting country. The Fiat Company there was always a good producer before the war.

Mr. KEEFE. Were they not good producers in France, as well?

Mr. KELLY. Yes. We are not proposing to ship any to France, either, Mr. Keefe, any more than to Italy.

Mr. KEEFE. They are self-sufficient, then?

Mr. KELLY. Yes, sir.

Mr. KEEFE. Italy and France?

Mr. KELLY. Yes.

TRUCK SITUATION IN ENGLAND

Mr. KEEFE. What about Britain?

Mr. KELLY. There, again, I do not believe we propose to ship any trucks.

Mr. SWAIN. They are going to export 52,000.

Mr. KELLY. But the United States is not shipping any to the United Kingdom.

Mr. KEEFE. They are exporting, also?

Mr. KELLY. Yes.

Mr. KEEFE. To where are these countries exporting?

Mr. KELLY. England has always exported to her own dominions, of course—South Africa, Australia, New Zealand, and other parts of the commonwealth. France, likewise, has her colonies in South Africa; England has South America; and Italy has. They try to dig into all of the markets where there is no manufacturing industry, and there they have had a small margin of the business compared to the United States. Their historical pattern has been that of exporting countries, and they do a nice little business.

Mr. SWAIN. England expects to export some 27,000 trucks to non-participating countries outside of the Western Hemisphere.

Mr. KEEFE. I think that is all the questions I have on that.

NORWAY

Mr. WIGGLESWORTH. Turning to Norway, it appears it is contemplated to have an importation of 1,800 trucks, of which 780 will be financed by ECA. Norway seems to have imported pre-war 2,867; in 1946, they imported 8,185; and in 1947, 2,795.

Why does not that bring their supply up to what they need? It is certainly above their pre-war, is it not?

Mr. GLYNN. They had a registration in 1947 of 42,000. The last prewar figure we have is 32,000 in 1938.

Mr. WIGGLESWORTH. You mean these figures on these tables are inaccurate?

Mr. GLYNN. It is the registrations I am talking about.

Mr. WIGGLESWORTH. It shows an available supply pre-war of 2,867.

Mr. GLYNN. Yes; but that is not the registration.

Mr. KELLY. Supply means new purchases.

Mr. GLYNN. This is registered trucks in operation.

Mr. WIGGLESWORTH. How many did they have prewar?

Mr. GLYNN. In registrations?

Mr. WIGGLESWORTH. Yes.

Mr. GLYNN. 1938 is the only year we have here at the moment. That is 32,000.

Mr. WIGGLESWORTH. What is the latest figure you have?

Mr. GLYNN. 42,000 in 1947, at which time they imported from the United States some 1,440 units, and the prewar importation in that 32,000 figure was 2,867 units from the United States.

Mr. WIGGLESWORTH. Now, you are proposing to import 1,800 on top of the 42,000 they have. That will give them 43,800 compared with 32,000 prewar.

Mr. GLYNN. You must allow for retirements. This will give them a 5 percent replacement.

Mr. WIGGLESWORTH. Does your 42,000 figure in 1947 represent usable trucks?

Mr. GLYNN. It represents the registration, and we cannot boil it down as to serviceability, outside of the fact we do know their age is considerable, due to the fact they were an occupied country, and perhaps some of the equipment is trucks left over by the Germans, but a large part of it would be their own prewar equipment together with their converted passenger cars.

Mr. WIGGLESWORTH. They have far more usable trucks now than they had prewar, have they not?

Mr. GLYNN. You are referring now to the registration; is that right?

Mr. WIGGLESWORTH. I am talking about the number of usable trucks.

Mr. GLYNN. As I mentioned before, we cannot determine whether or not these 42,000 are all usable trucks. They are just registered.

Mr. WIGGLESWORTH. You gave me a 42,000 figure for 1947 as compared to 32,000 prewar.

Mr. GLYNN. That was registration.

Mr. WIGGLESWORTH. And the assumption is they did have a good many more usable trucks in 1947 than prewar, is it not?

Mr. GLYNN. You will have to qualify that by—if we could analyze the trucks that are available. As I mentioned before, many of them are converted passenger cars; others are those left over from the enemy, together with those they had of their own left from before the war.

Mr. WIGGLESWORTH. How did you arrive at this 1,800 figure?

Mr. GLYNN. This 1,800 figure was arrived at as a replacement of approximately 5 percent.

Mr. SWAIN. That represented their original request, and, as it was less than the normal replacement, we accepted it. It works out 5 percent of the total.

Mr. WIGGLESWORTH. It is 5 percent replacement on the 1947 basis, not on the prewar basis?

Mr. SWAIN. Yes, sir; that is right. It is estimated if they retired 10 percent of the fleet, as we do in this country, then they won't have any increase in registration for the fiscal year 1948 or for next year.

QUESTION AS TO METHODS OF FINANCING ECA PROGRAM

Mr. KEEFE. When will we be able to get some information as to the financing under ECA of these various items, as to whether they are to be in the form of gifts, grants, or loans?

Mr. CAWLEY. I might say as this program develops we will keep Congress fully apprised as to the nature of the financing. At this time, we are not in a position to make much more of a forecast than was indicated by the Administrator the other day, in which I believe he stated the bulk of the food items would probably be grants, and the others would be grants and loans.

Mr. NITZE. On that point, I think the wording of the authorization bill is pertinent. The authorization bill says that the determination as to whether assistance should be in the form of a loan or in the form of a grant is to be made by the Administrator in consultation with the NAC. It also indicates that the loans should not be made unless there is a reasonable assurance of repayment and that within the primary criterion he should also take into account the nature of the assistance given.

In other words, if the Administrator, in consultation with NAC, determines that a given country can repay over a period of time a certain quantity of loans, then the indication of the act is that he should put first into the loan category things of a more permanent nature which would add to the productive capacity of the country to the greatest extent possible. If grants are to be made they should be, in the first instance, for food and other consumable commodities.

METHOD OF DETERMINING REQUIREMENTS OF COUNTRIES AND AVAILABILITY OF MATERIALS UNDER PROGRAM

Mr. KEEFE. I would like to get at this point in the record some concise, understandable information, if I can, that would be applicable to practically all of these various items. I want you to correct me if I am in error in my understanding of this situation.

When these 16 participating countries got together and submitted their program, among other things, they stated their requirements for trucks, as an example, were going to be 1,164,286, as shown by the justifications on page F–68. They did the same thing for their over-all requirements for everything else, and I understand that took into consideration the world production of trucks available for these 16 participating countries and our own country. Is that right?

Mr. KELLY. I am not sure of that. I do not believe they took into consideration the United States production figures, because they did not have those, to my knowledge.

Mr. KEEFE. Well, they took into consideration the production figures of the participating countries?

Mr. KELLY. Right.

Mr. KEEFE. Now, the Harriman committee studied those requests in each category—trucks, steel, food, and everything else—and, so far as trucks are concerned, they came up with the figure and said their estimate was 1,175,000. They also estimated the production of trucks. Then the executive branch, through its interdepartmental agencies and committees studied the whole thing over again and came up with this figure of 1,039,260 which is shown in the justifications, and that was what the committees brought to this Deficiency Com-

mittee as the requirements of these participating countries for trucks. And similar figures have come up for all of the other items, arrived at in that same way.

That is true, is it not?

Mr. KELLY. Yes, sir.

Mr. KEEFE. And in the break-down of this over-all item we find, for example, that Norway is credited with 780 trucks out of this total, or 780 units.

Mr. KELLY. Not quite—with 780 to be financed by ECA.

Mr. KEEFE. They came up with 1,800, I should say, 780 of which are to be financed by ECA.

Mr. KELLY. That is correct.

Mr. KEEFE. And likewise in these sheets that have been presented, all of the other participating countries likewise had indicated in those sheets the total import requirements and the total amount to be financed either through loans or grants out of ECA funds; is that right?

Mr. KELLY. Did you say the countries themselves had indicated the proportions?

Mr. KEEFE. No; I say these charts indicate.

Mr. KELLY. Yes, sir.

Mr. KEEFE. And these figures are derived from the determinations of the executive branch figures which are contained in the general break-down contained in the justifications and are supposed to correspond with these figures contained in the general justifications. Is that right?

Mr. KELLY. That is right.

Mr. KEEFE. Now, when they come to consider the needs of a country like Norway, as has been indicated in the record just recently, the basic law requires the Administrator to make a determination as to whether the trucks that are to be provided for by ECA financing shall be in the form of loans or direct grants, after consultation with the parties and interests and other agencies of the Government, I assume—the council, and so forth, that is set up. We will assume he decides that these 780 trucks that have been assigned to Norway are to be financed by direct grants, meaning that the taxpayers of America are going to pay for these trucks. Now, that is 780 out of the total of 1,800 expected to be imported.

If she gets on her feet a little more than is anticipated, she might be able to pay for more trucks as you go along than you anticipate; so that the necessity for ECA financing might be reduced. It could not be increased above the totals submitted here which are embodied in the over-all appropriation request. That is right, is it not?

Mr. KELLY. That is right.

Mr. KEEFE. She might also decide to import more trucks if they were available and pay for them. That is true, is it not?

Mr. KELLY. Quite true.

MECHANICS OF DISTRIBUTING MATERIALS AND FINANCING TRANSACTIONS IN PARTICIPATING COUNTRIES

Mr. KEEFE. So that if the production of trucks in the exporting countries of France and Italy went above the estimates of their production, as shown to this committee, and Norway or any other country had exchange available to buy them, they could go ahead and buy them?

Mr. KELLY. Correct.

Mr. KEEFE. And that figure might fluctuate and change upward, might it not, as we go along?

Mr. KELLY. Yes.

Mr. KEEFE. We are now talking about a 1-year program only. Now, as I understand it, it is anticipated the program will function in all of the procurement aspects, so much as possible, along ordinary lines of business transactions, through established channels of business relationship in Norway?

Mr. GLYNN. Yes, sir.

Mr. KEEFE. Say I am a businessman or farmer in Norway and I want a truck. My first point of contact is to go to the retail agency in Norway that sells trucks; is not that right?

Mr. KELLY. That is correct.

Mr. KEEFE. And tell them I want a truck, and I have Norwegian money to pay for it. So, under the over-all picture of the number of trucks that are available for import into Norway, somebody has to determine who gets that truck. Is not that true?

Mr. KELLY. Yes.

Mr. KEEFE. Because there are only so many trucks available.

Mr. KELLY. That is right.

Mr. KEEFE. And that would be determined by the local Norwegian authorities, would it not?

Mr. KELLY. Yes, sir.

Mr. KEEFE. And so, to come within its program, we have to keep the import requirements in line with this whole over-all program; is not that true?

Mr. KELLY. True.

Mr. KEEFE. And that would require, therefore, that anybody in Norway—a private truck dealer or distributor—must get an import license to import trucks?

Mr. KELLY. That is right.

Mr. KEEFE. And he goes, then, to the Norwegian Government and says "I have Joe Rosted who wants to buy a truck," and he has a long list of prospective truck buyers, and he has to submit that to the Norwegian Government in order to get an import license to start with. Is not that true?

Mr. KELLY. May I pick up your illustration right there and make a correction?

Mr. KEEFE. Yes.

Mr. KELLY. This individual farmer does not count so much as do all of the farmers of Norway.

Mr. KEEFE. Understand, when I am speaking of the individual farmer, I want the record to show I am speaking for all farmers who want trucks in Norway.

Mr. KELLY. Then let me put the illustration this way: All of the truck dealers of Norway have a truck dealers' association. It will do the dealing with the Government, and it will estimate well in advance how many trucks they will put into the different counties of Norway, or whatever corresponds to a county, and the same for industry, the same for agriculture, and the same for commerce and shipping.

Those estimates will be passed on by the government, and they will come up eventually with the number of trucks that are going to

be placed in these key points in Norway. That will be worked out with the ECA mission in Norway, and they will arrive at the figure finally, and that becomes a country by country order or requisition upon America, or for some from England.

When that program is approved by the ECA mission in the field and by Mr. Hoffman's administration here in Washington, then bank credits will be transferred to the appropriate division, and down the line will come the authorization to that dealer you are speaking about in your question as "three trucks for the Secretary of Agriculture," and Norway will O. K. "three trucks for you, Mr. Dealer," and he will get the trucks and receive payment from the farmers in krona, and the transaction from that point on becomes financed in krona. That is how it works.

Mr. KEEFE. Then what becomes of that money that the farmers pay to this truck dealer? Then it goes into a special fund?

Mr. NITZE. It goes into a special account that we have described.

Mr. KEEFE. That is, into a special fund in the local currencies of that nation which could possibly be used for a grant or loan or whatever it may be to provide the dollar exchange necessary to buy these trucks to the extent we have agreed to do it under the ECA program, these 780.

So the Government of Norway, in determining the over-all allotment you describe, would determine the availability not only of these 780 which we propose to furnish under the ECA but the difference between that and the 1,800 which they expect to import and which they will get from other countries?

Mr. KELLY. Yes, sir.

Mr. KEEFE. That situation as to the actual operation of the program would be substantially true of every other item in this whole program, would it not?

Mr. KELLY. That is correct.

Mr. KEEFE. That is about the way it will operate in Norway, and in all countries it will be substantially the same thing?

Mr. KELLY. That is right.

QUESTION AS TO REGULATION OF PRICES FOR ECA MATERIALS IN PARTICIPATING COUNTRIES

Mr. KEEFE. Now, it is to be assumed, is it not—or is it—that trucks which are to be sold in Norway will be sold under Government regulation as to price, fixed by the Government of Norway?

Mr. NITZE. I am not familiar with the price-control requirements of Norway; I do not know what they are.

Mr. KEEFE. What is the understanding, so far as this country's participation is concerned? Do we insist that they shall be sold under price control and that price is established by the government, or do we permit them to take these scores of articles and sell them at any price they can get for them and thus subsidize their black-market operations? I would like to get an answer to that.

Mr. GLYNN. I cannot answer that question.

Mr. CAWLEY. The ECA is now working with the State Department on certain bilateral agreements with the various countries, and I am certain this is a matter that will have to be carefully considered.

As to our policy and what has been concluded by way of an arrangement with the State Department, I am not familiar. However, Mr. Hoffman will be here before this hearing is concluded, and maybe that is a matter you will want to raise with him at that time.

PROGRESS WITH BILATERAL AGREEMENTS WITH PARTICIPATING COUNTRIES FOR STABILIZATION OF CURRENCIES

Mr. NITZE. Let me make one point. One of the important things which is in the authorizing legislation is the requirement that the bilateral agreements shall make provision for taking the financial and monetary measures necessary to stabilize the currency of the local country and to establish and maintain a valid rate of exchange and to balance the governmental budget as soon as practicable.

Mr. KEEFE. That is exactly what I was coming to in my next line of questions.

Mr. NITZE. Therefore, it was hoped that by reducing excess purchasing power in those countries you would soon have such a sound monetary situation within the country that this black-market pressure of which you spoke would not, in fact, exist. You would not have to use artificial measures of price control and would get back to a more normal economic system within the countries and would not require the detailed type of Government administration of local prices, etc., that your previous question suggested.

Mr. KEEFE. Well, when, in connection with the hearings on this bill, can we expect to have someone who will come up with information with respect to the progress that is being made, if any, in connection with these bilateral agreements which I understand are to be worked out, which indicate the progress that is being made in the currency stabilization program of these participating countries, if any?

Mr. NITZE. There was considerable testimony on that subject in the hearings on the authorizing legislation. If this committee desires information on that, I would suggest that it would be most appropriate to ask those questions when the Treasury representatives appear. Considerable progress already has been made in France, Italy, and in the United Kingdom in reducing the inflationary pressures. In England, the budget is in balance, so that the inflationary pressure seems to be under control.

Mr. KEEFE. Well, the newspapers carried the story this morning that Britain had just imposed very drastic price control criteria. I have not had time to study it and am not familiar with just what is involved, other than what was carried in the press, but that indicated certain articles that were not included within the program, principally those in the luxury classes, such as automobiles and so forth and so forth.

Oviously, therefore, the aid and assistance to be given to Great Britain in this program will be subjected to very stringent price control regulation in order to stop inflationary tendencies.

Everybody who has discussed this program with me has indicated, and the Members who have appeared before the committee here have indicated, that basically this monetery control is absolutely essential if we are going to make this program work satisfactorily. I assume, therefore, my questions would properly be directed to the representatives of the Treasury who are expected to cooperate with the

Administrator in working out these bilateral agreements. Is that right?

Mr. NITZE. That is correct, sir.

Mr. KEEFE. It all has its effect not, perhaps, so much upon the amount that may be involved in this current appropriation, but we are dealing with prospective appropriations over a four-year period, and we have to have some pretty firm basis of understanding when we start that program as to the amount of money that is involved and the possibilities for saving a dollar here and there to the American taxpayers without jeopardizing the program itself.

Mr. NITZE. The feeling was that the process of achieving monetary stability and the reduction of those inflationary forces in these countries was something that takes longer than just a few months to complete. There are a great many different factors that bear on that problem, and the authorizing legislation attempts to meet a number of them. One way in which it attempts to meet them is through the deposit of local currency which arises from the assistance granted—putting that into a special account and to a certain extent withdrawing it from circulation in the country. Similarly, those provisions of the program which are directed at increasing production within the country should help to reduce it.

Mr. KEEFE. That is all right to talk about reducing inflation by putting this special fund up there, provided they do not use it to hire a whole lot more people on the Government pay rolls over there and increase their pay, and so forth.

Mr. NITZE. They should work to reduce Government expenditures to come within income from their taxes.

NECESSITY FOR FLEXIBILITY OF OPERATION DUE TO CHANGING CONDITIONS

Mr. KEEFE. We can talk from now to doomsday on each of these various items, and when we get all through, as I see the picture, we have not accomplished very much; because in an over-all look at the picture which I have tried to describe in the one situation as to Norway, which is typical of all of the others, if production goes up in Italy or France and more and more coal is produced and more crops are raised, this whole program can change from month to month and every 6 months, and it may be an entirely different program next year from what it is this year.

Mr. NITZE. Yes.

Mr. KEEFE. So that we are dealing with an uncertainty here that requires a certain flexibility of operation.

Mr. NITZE. That is correct, sir.

Mr. KEEFE. And you cannot put your finger on the thing to the point of saying "It is going to be just this now", because you cannot anticipate what the future may be.

On the other side of the picture, neither can we anticipate what the condition as to the availability of supplies is going to be in this country where we are threatened with a railroad strike, coal strike, and every other thing which may upset the apple cart of availability against the pictures you have here now and with the possibility of changing crop figures, and so forth.

So that, so far as I am concerned, Mr. Chairman and gentlemen of the committee, I personally am not so interested in the multitude of details of all these things that are presented here as I am in the overall general policies that are to be applied in the administration of this program.

So, if I do not ask any more questions about these detailed things, you will understand the reason for it.

Mr. NITZE. May I say just one more word on these estimates? In order to come before this committee with an appropriation request which had as great a foundation in fact and statistics as we could possibly give you, we felt it necessary to analyze not only the production but also the import requirements and exports, commodity by commodity, and that is contained in this commodity book. Those had to be translated into money equivalent terms, and there are also in this book similar sheets which give the dollar value of these estimated transactions.

Then we accumulate in this book [indicating] the estimated balance of payments, country by country, and finally from these figures was compiled the thin volume as to the distribution of ECA financing.

Everyone recognized these were estimates which represented the best judgment of the executive branch, but certaily later information will indicate changes in them both ways—some up and some down. But this was the best picture we could give of the problem which faced the ECA.

Mr. WIGGLESWORTH. Did you proceed from the basis of the commodities deemed essential which might throw the balance of payments absolutely off, or did you start with the balance of payments and then work those down into commodities?

Mr. NITZE. We started from the commodities and then reviewed the balance of payments country by country through country committees. There was some change made from the original estimates of the commodity groups, based on the knowledge that the country committees could add to the picture. But we did start with commodities and reviewed them commodity by commodity, and those were in turn reviewed by the country committees. Then we put those sheets into tabulating machines, and the final result was exactly what came out of that machine.

Mr. WIGGLESWORTH. So the deficiency about the balance of payments to which you speak and upon which this program is based results from specific commodity needs?

Mr. NITZE. That is quite correct.

DISCUSSION OF BALANCE OF PAYMENTS

Mr. KEEFE. You have used and various other members have used throughout this record the term "balance of payments" and you have referred to one of the pamphlets presented here to show the balance of payment figures. I would like to have you place in the record at this point, so that anyone who, peradventure, might be so disposed to read this record would understand, just what you are referring to when you use that term "balance of payments."

Mr. NITZE. At your request, we asked the Treasury Department to prepare such a statement. I think earlier in this hearing you asked for such a statement to be prepared.

Mr. KEEFE. I have not received it yet; I do not know where it is. I have been promised a lot of things that I have asked for, and I have not received any of them yet.

Mr. NITZE. We thought that would come up when the Treasury was testifying before you, but, if you prefer, we will insert that in the record today.

Mr. KEEFE. I wish you would, because constant reference has been made all during this examination to the term "balance of payments," which a lot of people do not understand. I am speaking of the cold, printed record when you take it and read it.

Mr. WIGGLESWORTH. In A B C terms, it means, does it not, the value of essential commodities in respect to which dollars are not available?

Mr. NITZE. That is correct. If one turns to any one of the country sheets in this balance of payments book, it will indicate the dollars that country requires to pay for these calculated essential exports from the Western Hemisphere to that country and will indicate the dollars it will earn from exports of goods and services to the Western Hemisphere and also the dollars received on what is called the invisible account. That means the transactions which do not reflect the movement of goods but reflect services like shipping, tourists, income on investments, and other things which do not enter into your merchandise accounts. Adding together your merchandise balance plus the balance on the invisible account gives you the dollars which they require and the dollars which they will earn. And it is the difference between the two which represents their deficit or surplus on balance of payments account with the western hemisphere. The reason the Western Hemisphere was chosen is that the transactions with the Western Hemisphere have to be settled in dollars.

COMMITMENTS OF PARTICIPATING COUNTRIES FOR INTERNAL FINANCIAL AND MONETARY STABILIZATION

Mr. WIGGLESWORTH. In reference to Mr. Keefe's question about stabilization, which, to me, is one of the most important elements in the whole picture, and I am not correct in saying that the participating countries, or some of them, have entered into definite commitments in connection with this program to bring stabilization about?

Mr. NITZE. Yes. I can read you the language of their commitment, I believe. In particular, each country undertakes to use all of its efforts, to apply all necessary measures, leading to the rapid achievement of their internal financial and monetary stability.

Mr. WIGGLESWORTH. And presumably there will be some commitment embodied in the various bilateral agreements which are to be concluded.

Mr. NITZE. Yes; and the act requires that each government shall provide for the adherence of such country to the purposes of this title and shall, where applicable, make appropriate provision, among other things, to take the financial and monetary measures necessary to stabilize its currency, establish or maintain a valid rate of exchange, to balance its governmental budget as soon as practicable, and generally to restore or maintain confidence in its monetary system.

To certain countries, such as Switzerland, for instance, which have monetary stability and are in sound financial shape, obviously this would not be applicable.

Mr. WIGGLESWORTH. Failure to comply with the commitment in the authorizing law would be a fair basis for the Administrator's withholding or discontinuing aid under the program?

Mr. NITZE. Yes. The basic legislation has in it a provision governing that very point. It says that the Administrator shall terminate the provision of assistance under this title to any participating country whenever he determines that (1) such country is not adhering to its agreement concluded under section 115, which includes the language I just read, or is diverting from the purposes of this title assistance provided hereunder, and that in the circumstances remedial action other than termination will not more effectively promote the purpose of this title.

REQUIREMENTS FOR TRUCKS BY VARIOUS PARTICIPATING COUNTRIES

NORWAY

Mr. WIGGLESWORTH. Are there any further questions on the Norwegian agreement?

Mr. TUTHILL. May I make one comment on that? You pointed out that the prewar registration in Norway was 32,000 and in 1947 it was 42,000, namely, that it is larger now than prewar, and we have given, by way of partial explanation, the statement that in many countries a very large percentage of the trucks are old, obsolete, or are former Army equipment.

There is another point I should like to make on that, that is, that when the European countries presented their statements last summer, in our first reply to them we commented that we did not feel adequate consideration had been given to the full use of existing highway facilities. We did not put it in our official reports, but that reflected the fact that the railroads are mostly government-controlled, and there is a tendency in many European countries in their transport policy to favor the railroads over the highways. Therefore, in our report, we urged that full consideration be given to the highways.

In the last 6 months, at the Inland Transport Committee of the Economic Commission for Europe at Geneva, we have given specific instructions to our delegate to press at every opportunity for action to boost the use of the highways and to reduce the border restrictions, to press for a system of international interlocked highways, standard bridge equipment, and so forth.

In the last 6 months, we have made a very considerable amount of progress there, as has been publicized in the papers. Therefore, you should know that in the background we feel in this crisis that the European countries should exploit the highways more than they have to date.

Therefore, in going over it country by country, there are some cases, such as the Netherlands and Austria, where the percentage of replacements is very high. That reflects in part this over-age basis, but basically there is the view on our part that the European countries should continue to use their highways in the next few years at least to the extent they have used them so far and, further, that we keep pressing them for the removal of restrictions both to maintain and even increase their usefulness.

LACK OF FINANCING BY ECA OF ANY PROGRAM IN PORTUGAL OR SWITZERLAND

Mr. WIGGLESWORTH. If there are no further questions on Norway, Portugal, apparently calls for the importation of 4,000 trucks, but none of them are financed by ECA. The available supply seems to be less both prewar and as of the present.

Are there any questions on the Portuguese item?

Mr. KEEFE. Just so the record may be clear in one spot, in answer to the barrage of propaganda that has hit the floor of Congress and some newspapers, there is no ECA financing of any kind or character to Portugal that is contemplated under this program, is there?

Mr. NITZE. That is correct. The reason is that, although Portugal itself anticipated it will have some balance-of-payments deficit with the Western Hemisphere, we believe their gold and dollar reserves are such that they can meet that deficit out of those reserves.

Mr. KEEFE. I have heard it stated over the radio, by certain commentators, that we were furnishing ECA funds to Portugal.

Mr. NITZE. Mr. J. Henry Taylor has said that over the radio, and I have been trying to correct it, but he has never corrected the record.

Mr. KEEFE. As a matter of fact that same situation applies to Switzerland, does it not?

Mr. NITZE. Yes, sir.

Mr. KEEFE. No ECA financing whatever is contemplated to Switzerland; and that was another country that was used in certain statements; and with one exception, tractors and agricultural machinery, there is no ECA financing for Turkey.

Mr. NITZE. That is correct.

Mr. WIGGLESWORTH. Those countries are only important in this picture to indicate how the imports draw on what might be called the world pool in connection with meeting the requirements of the western European countries as a whole?

Mr. NITZE. That is correct. However, I might add, in that connection, that there are some items of equipment that will be financed, which do not appear on the long table. You remember that the long table does not attempt to cover every item; and there will be a few items in addition to agricultural equipment which, it is contemplated, would be financed in this program.

SWEDEN

Mr. WIGGLESWORTH. Sweden, apparently, contemplates no imports from any country; is that right?

Mr. GLYNN. No trucks; that is right.

SWITZERLAND

Mr. WIGGLESWORTH. Switzerland will require 650 trucks to be imported, but not financed through ECA, the total supply being roughly what they had prewar and what they had in 1947.

Mr. GLYNN. Yes.

TURKEY

Mr. WIGGLESWORTH. Turkey will require 4,800 trucks, but none of them financed under ECA. Apparently their total availability in 1948–49 will be about four times prewar, but somewhat less than what they had in the fiscal year 1947.

UNITED KINGDOM

The United Kingdom is not set down to import trucks from any source; is that right?

Mr. GLYNN. Yes.

WESTERN GERMANY

Mr. WIGGLESWORTH. For western Germany, the imports are to be 12,500 trucks, of which about one-fourth will be financed by ECA, giving them an available supply in 1948–49 of 53,500, which appears to be somewhere around what they had prewar, and about three times what they had in fiscal 1947; is that right?

Mr. TUTHILL. We show the increase in supply for 1947——

Mr. WIGGLESWORTH. It is about three times what they had in 1947, and roughly what they had prewar?

Mr. TUTHILL. That is correct. In terms of total park there were about 195,000 in the bizone area, prewar, and our figure there in 1947 shows 231,000.

Mr. WIGGLESWORTH. The figure here is against a replacement of about 5 percent?

Mr. TUTHILL. It is over 5 percent; it is about 12 or 13 percent.

Mr. WIGGLESWORTH. On the basis of 239,000?

Mr. TUTHILL. 231,000; and we figure they will need an increase of 33,500.

Mr. WIGGLESWORTH. Do you have any further questions on the truck item, Mr. Keefe?

Mr. KEEFE. No.

FREIGHT CARS

Mr. WIGGLESWORTH. We will take up next the freight car picture. Do you have an over-all statement you wish to make to the committee, Mr. Tuthill?

Mr. TUTHILL. Mr. Chairman, the only general comment I would like to make relating to the figures we have submitted to you on the proposals for export and the percentage to those exports on a prospective production basis for 1948, is that the tables unfortunately are figured on a unit basis, and it comes out to 11 percent in terms of the units. It should be about half that amount in terms of the amount of steel, material and labor which go into the European car. because about 11½ tons of steel go into the European car, the two-axle, four-wheel car, as compared with about 23-plus tons for cars in the United States, with four axles and eight wheels. So that the percentage there should be, instead of 11.4 should be about 5½ or 6 percent.

DATA ON PRODUCTION FXPORT, AVAILABILITY, ETC. OF FREIGHT CARS

Mr. WIGGLESWORTH. In the over-all table you have given you is shown a production, prewar, of 40,471; for 1947, 96,428, and estimated April 1948, to June 1949, 176,000, against which there have been exports, prewar, of 1,167 cars; 32,639 in 1947, and an estimate of 26,000 cars for the period April 1948, to June 1949.

Percentagewise that shows for prewar, in terms of supply to all countries, of a negligible amount; in 1947, 30.4 percent, and in the period April 1948–June 1949, only 11.4 percent.

Mr. TUTHILL. Those are the figures that I suggested should be changed.

Mr. WIGGLESWORTH. These figures are in terms of cars.

Mr. TUTHILL. Yes.

Mr. WIGGLESWORTH. And they are correct in terms of cars?

Mr. TUTHILL. Yes.

Mr. WIGGLESWORTH. And for the 16 European countries, the percentages of supply of exports was 3.4 percent in 1947, and about the same for the period April 1948–June 1949. In other words, assuming that the increase in production is attained, you estimate an export of 77 percent in the 15-month period compared with exports of 90 percent in 1947, with about the same percentage in the war period for the 16 participating countries; is that about correct?

Mr. TUTHILL. Exports for other areas are 6,000 and 3,316; the percentage of exports to Latin America, for example, will remain about the same, although the number of cars will increase.

Mr. WIGGLESWORTH. The total exports in terms of cars and in terms of total supply, prewar, amount to 2.9 percent; in 1947 amount to 33.8 percent, and in the 15-month period, ending June 1949, it is estimated at 14.8 percent?

Mr. KELLY. Taking the 26,000 cars; but taking the half-size cars, so as to compare the supply figures with the larger cars in the United States, the percentage of total supply is 7.4 for the first line, and 6.9 for the other.

Mr. WIGGLESWORTH. But as I understand the figures here for cars, in terms of units, are correct.

Mr. TUTHILL. Yes.

Mr. KELLY. With supply, compared with columns 8 and 3.

Mr. WIGGLESWORTH. But in terms of cars, leaving out the size, the figures in terms of cars, as shown on this table, would be correct.

Mr. GLYNN. That is right.

Mr. WIGGLESWORTH. And you estimate the total exports in the 15-month period will be less than half of what they were in the fiscal year 1947, to all countries, if we talk in terms of the number of cars; is that right?

Mr. GLYNN. Yes.

Mr. TUTHILL. And there will be a considerable decrease in the rate of exports to participating countries in the next 15 months.

Mr. WIGGLESWORTH. And also in the over-all number of cars exported?

Mr. TUTHILL. That is right, except that if you just look at the columns, 12 and 13, we would hope not only to maintain but to increase the exports of cars to Latin America.

Mr. WIGGLESWORTH. I understand you expect the total exports during the year to be 26,000 cars.

Mr. TUTHILL. That is right.

Mr. WIGGLESWORTH. Of which 20,000 are to go to participating countries, and 6,000 to other countries, so that percentage-wise what I have already stated is the fact, is it not?

Mr. TUTHILL. Yes. There is a very considerable decrease, percentage-wise.

Mr. WIGGLESWORTH. But in terms of total exports and in terms of exports to participating countries.

Mr. TUTHILL. That is correct.

Mr. KEEFE. I have already gone through these sheets, and the only country that is listed as expecting to get ECA finance for freight cars is the Bizone area, Germany.

Mr. GLYNN. Yes.

Mr. KEEFE. There are no freight cars provided for any other country.

Mr. TUTHILL. No.

PRODUCTION OF FREIGHT CARS IN PARTICIPATING COUNTRIES FROM ECA-FINANCED MATERIAL

Mr. KEEFE. Apparently they are able to take care of their own production of cars, from their own operations, to meet their own needs, considering the over-all picture; but I assume that some of the components which go into the manufacture of freight cars may be involved in the ECA; is that right?

Mr. TUTHILL. There may be some, yes.

Mr. KEEFE. And timber would be one, for instance?

Mr. KELLY. They are going all out to build their own cars, and presumably they have scores of timber for frames, and the castings, as they had before the war. This statement is not for just 1 year, but for 15 months; and this anticipates that the United States shipment of freight cars to Europe would end then.

Mr. KEEFE. Does that include bizone, Germany?

Mr. KELLY. Yes.

Mr. KEEFE. They will be able to take care of themselves by that time?

Mr. KELLY. Yes.

Mr. KEEFE. Do they have the materials to build them now?

Mr. KELLY. Yes; given the timber out of which the freight would be built.

Mr. KEEFE. That is just the point I had in mind. We are shipping them a lot of timber, and you do not know whether that timber is going to be used just in housing construction, or whether some of it is going to be used to build freight cars.

Mr. NITZE. When the timber people were here, as I recall their testimony, they said they estimated that some of the imports of timber might be used for freight car construction.

Mr. KEEFE. And to the extent that we finance, with ECA funds, the component parts of the domestic production of freight cars, we are using ECA funds for that purpose; are we not? Two and two make four, of course, so that when we show no funds expended for freight cars, we may be indirectly expending a considerable sum of money for the implementation of the freight-car industry, by furnishing the raw materials as such out of which they will build cars. Is that not the situation?

Mr. KELLY. That could be true; yes, sir; but probably the volume of freight cars, and the amount of timber used in freight cars, would not be very large, because in the construction of cars they are to have steel sides, the gondola type similar to ours; but there will be some timber used for flooring, not very much.

Mr. KEEFE. But if they use the steel for that purpose it cannot be used for something else.

Mr. KELLY. That is right:

Mr. KEEFE. And we are shipping steel over there.

Mr. KELLY. That is right.

Mr. KEEFE. And if they use some of the timber to make box cars, in whatever amount, they will not have it to use for some other purpose.

Mr. KELLY. But again, only a small portion of it would be used for building cars, because there are only to be about 26,000 cars to go from the United States altogether.

Mr. KEEFE. That is the total, and that includes the number going to the bizone, Germany.

Mr. KELLY. Yes.

Mr. KEEFE. And the amount of timber used may take a part of that which is shipped to them.

Mr. KELLY. And the amount of steel that will be needed in the manufacture of cars is less than the amount required here.

Mr. KEEFE. I do not know anything about the continental system, but I suppose their freight cars go all over the continent, do they not?

Mr. TUTHILL. All over western Europe.

Mr. GLYNN. All over western Europe, yes.

Mr. KEEFE. We had some testimony here a while back to the effect that there was some argument with France because she was holding up cars to block the Germans, and vice versa.

FREIGHT CAR SITUATION IN VARIOUS PARTICIPATING COUNTRIES

Mr. WIGGLESWORTH. How many freight cars did Austria have prewar, and how many has she now?

Mr. TUTHILL. I would like to say just a word about these figures: This is the most difficult of all, in terms of getting prewar data. Some of the cars were in the Russian zone, and the figures we have, for the subsequent period, are considerably more accurate, that is covering what is in Austria today, than for prewar.

Mr. WIGGLESWORTH. Do you have any estimate for prewar?

Mr. TUTHILL. The estimate of the number of cars for 1938 is 33,000. The estimate as of January 1, 1941, is 45,930. But that includes the Soviet zone. The indication is that Austria needs freight cars. The attempt of the High Commissioner to purchase cars, simply for the purpose of bringing shipments from Trieste, indicates that they have been willing to use some of the limited amount of hard currency available, for that purpose.

Mr. WIGGLESWORTH. Belgium and Luxemburg do not import any freight cars from anywhere?

Mr. TUTHILL. No.

Mr. WIGGLESWORTH. Neither does Denmark.

How about France? How many cars did she have prewar, and how many does she have now?

Mt. TUTHILL. Prewar, 1938, France had serviceable—and I am giving only the serviceable cars, because the other figures would be misleading—451,000. France had, January 1, 1948, 310,000. With that 310,000, or considerably less than she had in 1938, France hauled in ton-kilometers, in 1947, 44,200 million, compared with 29,500 million in 1938.

This is one of the outstanding records of the increase of the effective utilization of equipment, accounted for by a number of things, includ-

ing a terrific overloading of cars, a very considerable speeding-up of turn-around time, from 11.4 in 1938, to 8.6 in 1947.

Mr. WIGGLESWORTH. What is the story for Greece in terms of cars?

Mr. TUTHILL. Any Greek statistics we have are very weak.

Mr. WIGGLESWORTH. Do you know how many they have now?

Mr. TUTHILL. The Greek situation is that the line between Athens and Saloniki has not yet been fully repaired, and this figure of 1,100 estimated imports is the best estimate of ourselves and the Griswold mission of what will be required for them within the next year when they get the line completed.

The latest figure we have shows that 50 percent of the Greek park had been destroyed during the war.

Mr. WIGGLESWORTH. Iceland shows no imports from anywhere.

Mr. TUTHILL. No.

Mr. WIGGLESWORTH. Ireland is set up for a small importation of 200 freight cars, with no other figures on this table. Is there a shortage of cars, or is that for replacement?

Mr. TUTHILL. Ireland, on January 1, 1948, had 22,760 cars; and in 1938 she had—prewar—19,456.

But in terms of ton kilometers carried, she shows 414 million metric ton-miles for 1938 as compared with 700,000,000 in 1947, and an estimated 735,000,000 in 1948. In other words, this is something less than the normal replacement, but we do feel that Ireland needs a small increase in freight cars over what she has today.

Mr. WIGGLESWORTH. Italy shows no importation of freight cars from any source.

Mr. TUTHILL. That is correct.

Mr. WIGGLESWORTH. The Netherlands shows no importation from any source.

Mr. TUTHILL. That is correct.

Mr. WIGGLESWORTH. Norway shows no importation from any source.

Portugal shows no imports from any source.

Switzerland shows no imports from any source.

Sweden shows no imports from any source.

Turkey apparently is going to import 900 freight cars. Do you have any figures as to the number of cars she now has and the number she had prewar?

Mr. TUTHILL. No, we do not have the figures on prewar or current for Turkey.

Mr. WIGGLESWORTH. What is the 900 based on?

Mr. TUTHILL. In that case we accepted Turkey's figures approved by our mission there.

Mr. WIGGLESWORTH. The United Kingdom shows no imports from any source.

Mr. TUTHILL. That is correct.

Mr. WIGGLESWORTH. Bizone Germany is set up for 30,000 freight cars to be imported, of which ECA financing will cover something less than half, 13,340. What is the picture there in terms of cars prewar and today?

Mr. TUTHILL. Prewar in the bizone area: There were 335,000 serviceable cars; there were, about the middle of March, 233,000 serviceable in the bizone area, and the bizone people have estimated that they need 282,000 by the end of the year.

Mr. WIGGLESWORTH. An increase from the present of how many? From 233,000 to 282,000, or 49,000?

Mr. TUTHILL. That is correct. We provided for 30,000 of imports, because in our estimation we felt that during the next 9 months they could increase the number of cars repaired over and above the number scrapped by a net of about 16,000 or 17,000. General Clay and the bizone people have not agreed with us and have asked for a higher figure. If in fact this net increase in repair occurs, as we have estimated, we will reach a target of 282,000 by the first of the year.

Mr. WIGGLESWORTH. That is a pretty vital factor in Germany in the movement of coal.

Colonel BLUMENFELD. Yes. As a matter of fact, since this suggestion Mr. Tuthill has referred to, they have made plans for the allocation of more steel and the allocation of more timber, and they hope to actually increase by their own repair operations some 21,000 freight cars in the year . This is about 5,000 more than they originally planned, and they expect to import roughly 30,000 freight cars which should give them a revised figure of 277,000—just about the figure you gave, Mr. Tuthill. But there has been a considerable impetus placed upon this car program, and as Mr. Tuthill has indicated if it continues, will help relieve the situation. They are in negotiations now with the French to try to relieve some of the items in question which might result in giving them a substantial increase in the bizone.

Mr. WIGGLESWORTH. They cannot get the coal out without cars.

Colonel BLUMENFELD. That is the one bottleneck in the movement of coal.

TUESDAY, MAY 4, 1948.

STEEL EQUIPMENT

STATEMENTS OF W. J. N. PALMER, COMMODITIES DIVISION; OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE; ISAIAH FRANK, INTERNATIONAL RESOURCES DIVISION, DEPARTMENT OF STATE

The CHAIRMAN. The next item is steel equipment, which is under other machinery. Who has that?

Mr. PALMER. I do, Mr. Chairman.

The CHAIRMAN. All right. This seems to be quite a large item, and it seems to be a general item which is not broken down at all as to the requirements. What can you tell us about that in general?

Mr. PALMER. The ECA program, as originally developed in Paris, called for the expenditure of 2.2 billion dollars in steel plant expansion. However, all of that with the exception of $400,000,000 they expect to provide themselves or get from sources other than the United States.

The CHAIRMAN. All of that except what?

Mr. PALMER. Except $400,000,000 worth; that was their program to raise all of it except $400,000,000.

The CHAIRMAN. Yes.

Mr. PALMER. That was the total request of this country for a variety of products, particularly machinery, but also such things as locomotives, cranes, and scientific instruments of various sorts re-

quired to supplement their domestic production of these same items in their steel expansion programs.

The CHAIRMAN. Locomotives and what?

Mr. PALMER. Cranes and various auxiliary equipment such as scientific measuring devices.

Mr. FRANK. That is in addition to the very specialized steel equipment like rolling mill equipment, and so forth.

The CHAIRMAN. What else would they want covered?

Mr. FRANK. That is about in general terms what is included there. The biggest part of it is steel plant rolling mill equipment, but we have these auxiliary items which the industries in Europe were not in a position to produce themselves.

The CHAIRMAN. Does not England, France, and Germany have capacity for those things?

Mr. PALMER. They do, and they were going to make between them $1,800,000,000 worth of equipment or provide facilities in the form of plants.

STEEL EQUIPMENT IN GERMANY SCHEDULED FOR REPARATIONS DELIVERY

The CHAIRMAN. Is the steel equipment in Germany being utilized?

Mr. PALMER. It is scheduled for reparations delivery.

The CHAIRMAN. You say scheduled for reparations delivery?

Mr. PALMER. Yes, sir, some of it has been so delivered.

Mr. FRANK. I think I can explain that, Mr. Chairman. In reviewing these requirements of $400,000,000 for steel equipment from the United States we took into account the fact that some of this equipment could be made available from the surplus steel-making capacity which exists in the bizonal area of Germany. That was one of the reasons for our very substantially reducing this quantity of $400,000,000 in our tentative estimates as to how much would be justified.

Not all of the countries, however, included within this European recovery program are claimants on German reparations. For example, Italy is ineligible to receive reparations from Germany, and so forth, but the fact of the availability of surplus steel-making capacity in Germany was taken into account in reviewing this requirement from the United States.

The CHAIRMAN. That means that, indirectly, we are paying the German reparations, does it not? That is, to the extent that we are supplying this material so that the other countries may take out of Germany, we are paying the reparations?

Mr. FRANK. No, sir; I think it is quite the reverse.

The CHAIRMAN. Oh, no.

Mr. PALMER. No steel equipment is going into Germany under this program, Mr. Chairman.

Mr. FRANK. No, sir. No steel equipment is going into Germany under the program. It is recognized that they have more than they can possibly use, or even possibly use ultimately under the new level of industry which has been established in Germany. So, all of this equipment is destined for countries other than Germany, and to the extent that surplus equipment would be made available to these other countries the demands on the United States would be reduced.

The CHAIRMAN. Where will these reparations go?

Mr. PALMER. There has not been any allocation as yet of these materials as reparations. In tentatively reviewing these things we

have assumed that those countries which are claimants under the Paris agreement on German reparations, would receive in general half of their requirements for equipment from Germany This was the working assumption which we made.

In certain cases, such as in the case of United Kingdom the demands for equipment from the United States were largely confined to types of equipment which were unavailable from surplus equipment in Germany, the strip mills and that kind of thing. In other cases there was an assumption that half of the equipment would come from Germany. For example, in the case of Belgium, Denmark, Luxemburg, and the Netherlands that assumption was made.

The CHAIRMAN. How much of that steel equipment goes to Russia?

Mr. FRANK. Of which, the $400,000,000, sir?

The CHAIRMAN. No.

Mr. FRANK. The German reparations equipment?

The CHAIRMAN. Yes.

Mr. FRANK. Apart from this one mill that Mr. Palmer mentioned yesterday, which went to Russia shortly after the termination of hostilities, I am not at the moment aware of any steel equipment that has gone to Russia; are you, Mr. Palmer?

Mr. PALMER. No. They laid claim to the one and the only continuous strip mill operating on the Continent and took that away shortly after the collapse of Germany. As far as I know they have not gotten anything of any consequence since that time, that is steel mill equipment. The balance would remain, as far as it could be adapted to use by the participating countries, for transfer to them—would remain available for transfer to them.

TOTAL VALUE OF STEEL EQUIPMENT EXPORTS FROM WESTERN HEMISPHERE

The CHAIRMAN. How much are we supposed to send under this program to these 16 countries?

Mr. PALMER. During the first 15 months the total shipments from the Western Hemisphere would amount to $48,000,000 worth.

Mr. STEFAN. That is the total from the Western Hemisphere?

Mr. PALMER. Yes.

Mr. STEFAN. It is 48.1 million dollars.

Mr. PALMER. Yes, sir.

The CHAIRMAN. That includes the United States?

Mr. PALMER. Yes, sir; that includes the United States.

The CHAIRMAN. It all comes from the United States, does it not?

Mr. FRANK. Yes, all of the $48,000,000 comes from the United States.

The CHAIRMAN. Where does it go?

Mr. PALMER. It goes largely to England, Belgium, Luxembourg and France.

Mr. FRANK. That is right.

The CHAIRMAN. Of what would it consist?

Mr. PALMER. The greater part of it is continuous sheet or strip rolling mills.

MATERIAL ON ORDER IN THIS COUNTRY

Mr. FRANK. I might mention, sir, that much of it is material which is already on order with firms in this country.

Mr. PALMER. Almost entirely so.

Mr. FRANK. Yes, almost entirely.

The CHAIRMAN. It is already on order?

Mr. FRANK. Yes, sir.

The CHAIRMAN. Orders from whom?

Mr. FRANK. Well, there are orders from the United Kingdom, from France and from Belgium, I know on the books.

Mr. PALMER. Yes, those three make up the greater part of the total.

The CHAIRMAN. And we are taking over the obligation in this way to pay for those orders, is that it?

Mr. PALMER. Part of them, sir. You see, there have been dollar payments made to the extent of $11,000,000 against deliveries to be made this year. These mills are built specially to order and usually, in fact in every instance, there is a requirement that a substantial down payment be made and a series of progress payments be forthcoming as the production of the mill proceeds.

The CHAIRMAN. And when were those orders placed?

Mr. PALMER. Some of them as much as 2 years ago.

The CHAIRMAN. How would they be divided among Belgium, France, and Britain?

Mr. FRANK. I am not sure that we can give you the exact figures on that, Mr. Chairman, but I have here information on the Luxemburg order, for example. It is for $12,500,000 worth of equipment to be delivered by the middle of 1949. On the Belgian order we have information that it is for about $4,000,000 worth of equipment to be delivered about the same time, and the French order is for about $21,000,000 worth of equipment. I might say that these sums include very special mechanical equipment and certain auxiliary electrical equipment which is ordered from electrical equipment firms.

AVAILABILITY OF MATERIAL FROM OTHER SOURCES THAN UNITED STATES

Mr. CANNON. Is material of that character available for this program from any other source except the United States?

Mr. FRANK. Yes, some of the material in the steel-equipment field is available in the United Kingdom and in France. As a matter of fact, about 90 percent of the British requirements for steel equipment are supplied from her home industries, and the same thing is true for France, but for the most part as to these particular items which are requested here they are not equipped to make them themselves. In some of the small countries like Italy, for example, and in the case of some of the small auxiliaries for Denmark they are not equipped to make any of it.

Mr. STEFAN. Italy is getting some from the Western Hemisphere, $4,500,000 worth.

Mr. Frank. That is correct

The CHAIRMAN. Out of this $48,000,000?

Mr. FRANK. That comes out of the 48.1 million dollars.

The CHAIRMAN. Give us the rest of that.

Mr. FRANK. I might mention that my information here on orders is not complete. Most of these orders were placed at a time when

there was no necessity of checking them with any governmental authority. These countries went direct to the engineering firms and placed their orders.

REQUIREMENTS FOR UNITED KINGDOM

The CHAIRMAN. How much was United Kingdom?

Mr. FRANK. 18.5 is the figure I have for United Kingdom.

Mr. STEFAN. I have 8.5 on United Kingdom.

Mr. PALMER. That is for delivery during 1948 and 1949.

Mr. FRANK. That refers to orders that may be delivered sometime after that.

Mr. PALMER. That is right.

The CHAIRMAN. What is Italy?

Mr. FRANK. I do not have the figure for the Italian orders already placed. In fact, I think the Italian orders are in a state of negotiation, and are not yet placed, is that your impression, Mr. Palmer?

Mr. PALMER. Yes.

The CHAIRMAN. These figures you have given us total about $55,000,000, and the Italian figure that Mr. Stefan had was $4,000,000.

Mr. STEFAN. $4,000,000 even I think it was.

Mr. FRANK. I would like to say a word about the total figure of 48.1 that appears as the total for steel equipment for all of these countries.

Mr. STEFAN. That was $4,500,000, Mr. Chairman.

BASIS OF ESTIMATE FOR SHIPMENTS UNDER PROGRAM

Mr. FRANK. It was impossible to attempt to state exactly what the quantity of these shipments would be in this period, and for that reason the 48.1 million which was put down here, which I believe was on the low side, was taken arbitrarily as one quarter of the total amount of equipment which we estimated would be supplied over this period.

The $400,000,000 was what they asked for, and our tentative estimate which I am sure will be reduced when it is screened, and we estimated that of the $400,000,000 possibly 191.5 million would have to be supplied from the United States if reparation deliveries are made on time, and so forth, and this 48.1 million is just an arbitrary figure which is one quarter of 191.5 million.

In view of the fact that most of these orders are going to be placed, I think, in the early part of the period with the necessity for down payments and progress payments to be made immediately I believe 48.1 million is a low figure, but it was arbitrarily taken as one quarter of the total amount which we estimated would be supplied.

The CHAIRMAN. You mean that we are going to supply over-all approximately $200,000,000?

Mr. FRANK. That is correct.

Mr. NITZE. That is, in a 4-year period.

Mr. FRANK. That is correct.

PRESENT STATUS OF EQUIPMENT

Mr. PALMER. Yes, that is correct. At the moment, according to our best information this equipment is practically all on order and is

substantially built some has been completed. The total is possibly as much as $75,000,000 worth.

The CHAIRMAN. It is already built but not delivered?

Mr. PALMER. Yes, it is substantially built, but may not be completely built. You see, to construct all of the equipment comprising a continuous rolling mill takes perhaps 2 to 2½ years, that is to design and construct it. These things run out a long time, so far as the financial obligations are concerned.

EXTENT OF UTILIZATION OF CONTINUOUS ROLLING MILLS

The CHAIRMAN. Do Great Britain, Belgium, and France have considerable continuous rolling-mill capacity?

Mr. PALMER. They have none.

The CHAIRMAN. They have none?

Mr. PALMER. No, sir.

The CHAIRMAN. Did Germany have any?

Mr. PALMER. She had one mill of this type. That was the one I mentioned to you.

The CHAIRMAN. That Russia took?

Mr. PALMER. That was taken to Russia, yes, sir.

The CHAIRMAN. How did Russia know that that existed?

Mr. PALMER. It was common knowledge in all trade documents and directories of the period.

The CHAIRMAN. What is our status on such things?

Mr. PALMER. Up to this time, except for that one mill in Germany, we have been the only country that used continuous strip mills for production. We devised the scheme and developed the equipment for it.

The CHAIRMAN. To what extent is it in use here?

Mr. PALMER. I would say that at least 80 percent of all thin, flat rolled products are made on continuous mills.

The CHAIRMAN. Does that mean other metals than steel?

Mr. PALMER. It is used to some extent for rolling copper, but primarily it is a steel mill operation.

The CHAIRMAN. How long has it been in vogue?

Mr. PALMER. For about 15 to 18 years, and perhaps 5 years preceding the war it got its real start in this country.

The CHAIRMAN. In other words, until about wartime it was not really swinging?

Mr. PALMER. About 1936 or 1937 the industry began to install them extensively.

The CHAIRMAN. It ran into the war period before they used it extensively, and I presume they are still at it?

Mr. PALMER. The existence and the use of this means of producing large volumes of flat rolled material made possible our shipbuilding program during the war. We converted many of them from sheet mills to light plate of a weight which was suitable for our merchant ships.

Mr. FRANK. This program is related to the fact that the requirements for steel as such from the United States for these countries diminishes sharply over a period, partly as a result of their expansion of their own capacity and, in turn, in part as a result of the use of facilities provided from the United States.

The CHAIRMAN. Are there any more questions on the rolling-mill end of it?

EFFECT OF PROGRAM UPON DOMESTIC STEEL SUPPLY

I think I will ask to what extent does this proposal for going on with this program constitute a drain on our steel supply, and to what extent, if any, are we getting out of those countries ore or other raw material that would augment our scarce supplies?

Mr. PALMER. The quantity of metal involved in the shipment of this steel mill equipment and auxiliary equipment probably would not aggregate, I would say, at the outside 10,000 tons. That is probably a high estimate of it rather than a low one.

The CHAIRMAN. That is the whole 4-year proposal, is it not?

Mr. PALMER. Yes.

The CHAIRMAN. Or the $60,000,000 that is already on order, which is it?

Mr. PALMER. With the $60,000,000 that is on order the 4 years might run as high as 100,000 tons in the aggregate. I was speaking particularly of the $60,000,000 that is already on the books, some of which, incidentally, has gone forward.

The CHAIRMAN. Is it quite a drain on our machine tool capacity and that sort of thing to get this out?

Mr. PALMER. No; this does not represent a very large part of their total business, and, incidentally, it is not the same industry that would produce machine tools that produces this particular type of equipment. There are very few machine tools as such involved here in the technical sense.

The CHAIRMAN. But this is a particular type of machinery that is probably made only in a few plants.

Mr. PALMER. Well, I think there are only three principal producers of steel mill equipment in this country.

The CHAIRMAN. Who are they?

Mr. PALMER. The Mesta Machine Co. is probably the largest. There is also the United Engineering & Foundry Co., and I was trying to think of the third one. I am afraid I cannot recall offhand the name of the third largest one.

LOCOMOTIVES

The CHAIRMAN. The next item is the locomotive proposition.

Mr. PALMER. There are not many of those involved. I merely cited that as an example of the auxiliary type of equipment which is required.

The CHAIRMAN. How much is required there in dollars?

Mr. PALMER. I know specifically that the British want two Diesel locomotives to be used as yard engines in a plant that they are building in Wales. I believe that those locomotives would cost in the vicinity of $10,000 to $12,000 apiece.

The CHAIRMAN. But you would not put an item like that in a program of this sort, would you?

Mr. PALMER. It is a very small item, but you wanted some information on these items.

The CHAIRMAN. Well, I know, but I do not see how you are going to get such things as that in connection with their operations.

Mr. FRANK. This is not the usual type of locomotive. It is not the same kind of locomotive that we use in the railroad industry in this country.

The CHAIRMAN. Well, it is more of a type of yard engine.

Mr. FRANK. That is right, for interbuilding use.

The CHAIRMAN. That we are accustomed to use Diesels for here. I understand what they are, but it would seem rather strange that you would get into such things as that where the bookkeeping and management operation would be more than the item.

Mr. NITZE. These specialty equipment items were handled on a project basis. All of the various items of equipment which had to come from the United States with respect to given projects were included in the same category. With respect to these particular steel expansion projects, for example, they cover not only the rolling mill equipment, but also the auxiliary equipment which is needed for the particular project.

Mr. FRANK. And electrical equipment.

Mr. NITZE. That is right. That is the way it was developed by the countries themselves, and that is the way it was screened by us. It does result in this situation that you have mentioned, Mr. Chairman, in analyzing these estimates of the total exports that may come forward from the United States.

The CHAIRMAN. Is that all there is in the locomotive line?

Mr. PALMER. As far as I recall just those two, yes, sir.

The CHAIRMAN. Are these to give them an idea of what they could use, so they could make them themselves, or are they for general service more than anything else?

Mr. PALMER. In this particular instance the British have not devised a locomotive as compact and as powerful as our own, and the only site available, or the one they selected, for their plant required that the buildings comprising the entire plant be placed very close together so that the individual trackage connecting them frequently called for very sharp curves. No British locomotive of this type or with this power was small enough to negotiate these curves, so they simply had to come to this country to get that type of locomotive, or in a sense abandon the project, or rework it at vastly greater expense.

MISCELLANEOUS TYPES OF STEEL EQUIPMENT

The CHAIRMAN. What else is involved in this program?

Mr. PALMER. We have all types——

The CHAIRMAN. You said "cranes." How much is there of that?

Mr. PALMER. I am afraid I cannot tell you the precise amount.

The CHAIRMAN. Do you know?

Mr. FRANK. They have given us fairly detailed schedules of the different types, country by country, under the heading of the different types of equipment involved. For example, there is some iron ore mining equipment. We have scheduled blast furnace and steel furnace equipment; blooming and heavy rolling equipment; blooming mill and electric equipment; plate, strip, and sheet mill. And then there is other equipment like tube welding mill, tire rolling mill, hoop and wire mill, and so forth. But the schedule is fairly complete—not necessarily in all cases by items, but certainly by type of equipment sought.

In the case of Austria, there is an item of conveying belts and cranes, but the quantities of these requested are included along with other items. But this is a fairly detailed statement of what is intended.

The CHAIRMAN. What is on it?

Mr. FRANK. I can read you a few of the schedules. There is a lot of miscellaneous equipment under Sweden—gas-protecting equipment, various tool-cutting and pressing machinery; under the Netherlands, refractory bricks and electric equipment, which are heat-resistant bricks; under the United Kingdom, design and drawings for a Morgan billet mill and a Morgan rod and bar mill. Apparently some engineering services are also included.

REQUIREMENTS FOR AUSTRIA

For Austria there is semicontinuous strip mill and sheet mill.

The CHAIRMAN. Why would we be sending that over into Austria at this time?

Mr. FRANK. Austria has a rather peculiar industry. It is one of the oldest steel industries in Europe and during the war, while the Germans were in control, they began the erection of the Hermann Goering works at Linz, with production of a very large capacity programmed. They got as far as the erection of the blast furnaces to make pig iron, but they never got beyond that to the finishing steel furnaces and rolling mills. At Donawitz you have the oldest works in Austria—the Donawitz works. Shortly after the conclusion of hostilities the Germans took out the blooming mill at Donawitz, but they left equipment of ancient vintage, built back in the 1890's, and we are told it is on the verge of breaking down completely and is highly inefficient.

The CHAIRMAN. That is at Linz?

Mr. FRANK. No; this is near Donawitz. At Linz, they do not have this kind of equipment at all, and the purpose of this type of expansion is for them to replace the Donawitz rolling mills and install modern rolling mills in conjunction with one or two of the blast furnaces erected at Linz.

The CHAIRMAN. Linz is in our zone?

Mr. FRANK. They are both in our zone. They are in the western zone of Austria.

Mr. NITZE. The authorizing legislation contemplated that the Administrator would handle things of this kind on a project basis. He would provide for individual projects all of the necessary things that went into them.

Mr. FRANK. That is correct.

The CHAIRMAN. Well, we are being asked to provide the funds, and it is perfectly natural that we want to know what it is for.

What else is involved?

REQUIREMENTS FOR NORWAY

Mr. FRANK. In Norway, for example, there is one electric steel furnace, annual capacity, 40,000 tons. Also for Norway, for underground mining, there are five locomotives for iron ore mining and also some drilling and loading machines. This is to enable Norway to export iron ore to other participating countries.

I have the figures on the exports, if you are interested in them.

Mr. PALMER. You asked a while ago if there was any provision made for recovery of any material from Europe.

The CHAIRMAN. Yes.

IMPORTATION OF IRON ORE FROM SWEDEN

Mr. PALMER. At the present time, we are importing iron ore from Sweden at the rate of about 1.25 million tons a year. I believe it is proposed to step that up as rapidly as shipping becomes available to move a larger quantity. That iron ore moves almost wholly into Baltimore and is used at the Bethlehem plant there. That is practically the only plant on the seaboard in this country and, therefore, is especially suited, and it is, in fact, largely operated on imported iron ore.

The CHAIRMAN. That would very largely pay for the Swedish imports from us?

Mr. PALMER. That would cover 1,000,000 tons of ore from the Swedish standpoint and delivered here would give between 5½ to 6½ million dollars, depending on the grade. Each shipment is assessed, depending on the iron content.

The CHAIRMAN. The other ores in Europe are not as good as the Swedish ores?

Mr. PALMER. They are much lower in iron content. The iron ores of France, Belgium, Luxemburg, and part of western Germany only run 35 to 40 percent. The Swedish ore comes close to 60 percent on the average and occasionally runs even higher.

The CHAIRMAN. What about our Lake Superior ores?

Mr. PALMER. 50 to 52 percent.

The CHAIRMAN. What do the ores out in the West around Utah and that section run?

Mr. PALMER. Approximately the same—in the neighborhood of 48 to 52 percent.

Mr. FRANK. There is a requirement for equipment for the Swedish iron ore mines of $900,000 for the entire 4-year period.

The CHAIRMAN. Is that all of the steel equipment that there is?

Mr. FRANK. Yes, sir.

The CHAIRMAN. That is, the $200,000,000 is the whole item?

Mr. FRANK. Yes, sir.

Mr. PALMER. For the entire program.

Mr. NITZE. For the 4 years.

TIMBER EQUIPMENT

STATEMENTS OF WILLIAM N. SPARHAWK AND ALBERT CLINE, DIVISION OF ECONOMICS, FOREST SERVICE, DEPARTMENT OF AGRICULTURE

The CHAIRMAN. The next item is "Timber equipment." How much is involved in the timber equipment in this program?

Mr. CLINE. 15.9 million dollars for the first fiscal year.

The CHAIRMAN. And how much afterward?

Mr. CLINE. A total of $63,000,000, all told, for the 4 years.

PARTICIPATING COUNTRIES TO IMPORT TIMBER EQUIPMENT

The CHAIRMAN. And where is it supposed to go?

Mr. CLINE. The equipment goes to about half a dozen of the participating countries—Austria, $4,000,000; France, $3,400,000; Turkey, $400,000; western Germany, bizone, $300,000; western Germany, French zone, $700,000; French overseas dependencies, $5,500,000.

The CHAIRMAN. Where is that going—into Africa or somewhere else?

Mr. CLINE. I think it is all to Africa, Mr. Chairman.

The CHAIRMAN. What else?

Mr. CLINE. United Kingdom, overseas dependencies, 1.6 million dollars, and that is all. That should total 15.9 million dollars.

The CHAIRMAN. And what is the 4-year set-up?

Mr. CLINE. For each country?

The CHAIRMAN. Yes.

Mr. SPARHAWK. It was put up in two tables, but it will add up for Austria 16.2 million dollars.

The CHAIRMAN. You mean that is for 4 years?

Mr. SPARHAWK. That is for 4 years.

The CHAIRMAN. Including what you have already given us?

Mr. SPARHAWK. Including it; yes. France is 11.8 million and odd dollars; Turkey, 1.4 million dollars; western Germany, bizone, 1.0 million dollars; French zone, 1.0 million dollars, most of it the first year. The overseas French territories are 20.1 million dollars, and the British overseas territories are 7.4 million dollars.

The CHAIRMAN. Now, the timber supply here is not any too good. Does this mean that we will get any timber out of this program?

Mr. SPARHAWK. There will be quite a large production of hardwood timber and plywood, especially from Africa.

The CHAIRMAN. Will it come here, some of it?

Mr. SPARHAWK. Probably some of it will, but, of course, the main object up to now has been to get stuff for Europe to take the place of timber they cannot get elsewhere without too much strain. Normally we do get quite a bit of timber from western Africa, such as mahogany and certain plywoods and certain other tropical woods which are coming onto the market.

DOLLAR VALUE OF TIMBER EQUIPMENT ITEM

Mr. WIGGLESWORTH. What is the over-all dollar figure for this timber equipment item?

Mr. CLINE. For the first year, it is 15.9 million dollars.

Mr. WIGGLESWORTH. And 63 million dollars for the 4 years; is that right?

Mr. CLINE. That is the figure we gave this morning.

Mr. STEFAN. 62.5 million dollars I have here.

Mr. CLINE. I was not quite certain.

Mr. STEFAN. This says:

Import requirements for tiber equipment as submitted by the participating countries total $87,100,000 for the 4¼ year period, of which $62,500,000 would be supplied by the United States.

You will find that in your justifications on page F–53. Then it says:—

Comparable figures for the 15 months beginning April 1, 1948, are $24,800,000 and $16,900,000, respectively. The elimination of Germany as the principal

supplier of European machinery has produced greater dependence upon the United States.

Mr. KEEFE. This says 16.9 for the 15-month period and in this other book it is 15.9 million.

Mr. SPARHAWK. I think Greece was omitted from the later tabulation. For some reason, they decided they did not need it this year, at least.

Mr. KEEFE. Then the actual figures are 15.9?

Mr. SPARHAWK. The latest ones are 15.9; that is right.

Mr. WIGGLESWORTH. At least, those three items on the availability table are lumped as one. Is there any way we can get a picture of the timber-equipment item separately, in terms of production and export?

Mr. NITZE. I believe it includes a number of different items for which statistics did not exist domestically, as to the domestic supply in the United States, compared with total exports.

Mr. CLINE. We certainly could not get the separation on tractors, trucks, and equipment of that sort that are used for a number of different purposes.

Mr. WIGGLESWORTH. Which were included in the timber-equipment item?

Mr. CLINE. We have trucks and tractors under timber.

Mr. STEFAN. The justification says timber equipment includes crawler tractors, bulldozers, trucks, trailers, freight cars, sawmills, and sky lines.

Mr. CLINE. That is right.

Mr. NITZE. This is similar to steel equipment in that it had to be done on a project basis.

DOMESTIC SUPPLY REQUIRED FOR PROGRAM

Mr. WIGGLESWORTH. Is there anything you can tell us which will give the picture of how much of our domestic supply is required to meet this proposed item under timber equipment?

Mr. CLINE. I might tell you in the case of tractors, taking wheel tractors first, at the most, the number required from all of these participating countries would be not more than 300, and the production of wheel tractors in this country in 1947 was approximately 420,000.

Mr. WIGGLESWORTH. And those are just to participating countries?

Mr. CLINE. That is right.

Mr. NITZE. For timber purposes.

Mr. CLINE. Yes; for timber purposes.

OVER-ALL EXPORTS ON TRACTORS, 1947

Mr. WIGGLESWORTH. What is the over-all figure?

Mr. CLINE. I do not have the over-all export figure on tractors.

Mr. WIGGLESWORTH. Can you furnish that for the record?

Mr. CLINE. Yes, sir.

(The information is as follows:)

United States exports of wheel-type and crawler-type tractors in 1947 were 93,115 units valued at 139.5 million dollars.

Mr. CLINE. In the case of crawler tractors for timber purposes the quantity there is not more than 200, and our production of crawler

tractors last year, according to the Department of Commerce records, was 37,202. So that is considerably less than 1 percent.

In the case of other types of equipment, such as sky lines and that sort of thing, I do not have any way of telling what proportion these requirements represent.

TRUCKS AND FREIGHT CARS

Mr. WIGGLESWORTH. I see you have trucks and freight cars in here, although we have already had an item for trucks and an item for freight cars.

Mr. CLINE. I can give you something on trucks.

Mr. WIGGLESWORTH. Why are trucks and freight cars in this item, when we have already considered trucks and freight cars?

Mr. CLINE. I presume in the other instance they did not cover trucks for timber purposes.

Mr. WIGGLESWORTH. Well, are there other tractors, trucks, and freight cars in here, Mr. Nitze, in other items that we have not considered? I supposed we had the whole picture when we took up those items.

Mr. NITZE. In these categories handled on a project basis, there are certain items of specialized equipment for given purposes which are included under the purposes for which they are to be used. One such case is the situation regarding Diesel locomotives described this morning in connection with steel equipment. They are especially designed to be used in a given steel plant.

Mr. WIGGLESWORTH. How do the proposed shipments compare with the requests for timber equipment?

Mr. CLINE. I am not quite clear on that question, Mr. Chairman.

Mr. WIGGLESWORTH. You are proposing to ship a certain amount, 15.9 million dollars worth, of timber equipment to the 16 nations, as I understand it. How does that compare with the requests for this type of equipment made by the participating countries?

Mr. SPARHAWK. It is the same quantity; there were no changes made.

Mr. WIGGLESWORTH. Their requests were allowed in full as far as this item is concerned?

Mr. SPARHAWK. That is right.

Mr. WIGGLESWORTH. And will the over-all exportation under this program be greater or less than it was in the current fiscal year?

Mr. SPARHAWK. I do not think we have figures on the current numbers.

COMPARATIVE STATEMENT ON UNITED STATES IMPORTS AND EXPORTS OF TIMBER EQUIPMENT

Mr. WIGGLESWORTH. When you revise your remarks, I wish you would try to furnish an answer to that, so that we can get some picture, percentagewise or otherwise, of the over-all exports as distinguished from exports to the participating countries in 1948–49, 1947, and 1946.

Mr. SPARHAWK. Yes, sir.

(The information is as follows:)

United States imports and exports of timber equipment, 1939, 1946, 1947, and ECA request for timber equipment from July 1, 1948, to June 30, 1949 [1]

[Thousands of dollars]

Commodity	Total imports	Total exports	Exports to participating countries		Exports to other countries	
			Quantity	Percent of total	Quantity	Percent of total
Sawmill machinery and parts:						
1948-49 (ERP request)			[2] 3,499			
1947 [3]	498	5,933	829	14.0	5,104	86.0
1946 [3]	810	2,390	267	11.2	2,123	88.8
1939 [3]	None	327	53	16.2	274	83.8
Veneer and plywood machinery:						
1948-49 (ERP request)			1,488			
1947	None	1,834	632	34.4	1,202	65.6
1946	None	877	38	4.3	839	95.7
1939	None	168	30	17.8	138	82.2
Planers, matchers, and other woodworking machinery:						
1948-49 (ERP request)			1,849			
1947	None	9,989	1,531	15.3	8,458	84.7
1946	None	5,004	479	9.6	4,525	90.4
1939	None	1,385	326	23.5	1,059	76.5
Logging equipment: 1948-49 (ERP request)			[4] 8,893			
Total timber equipment:						
1948-49 (ERP request)			[5] 15,729			
1947 [6]		17,756	2,992	16.9	14,764	83.1
1946 [6]		8,271	784	9.5	7,487	90.5
1939 [6]		1,880	409	21.8	1,471	78.2

[1] No official production data for timber equipment available since 1939. Total exports for 1947 of 17.7 million dollars would indicate a minimum current production of 85.0 million dollars of specialized timber equipment.

[2] Sawmill equipment only except for a small quantity of resin and cork production equipment.

[3] Also includes logging equipment except tractors, trucks, trailers, and road-building equipment.

[4] Includes approximately 300 wheel-type tractors, 200 crawler-type tractors, 200 trucks, 450 trailers and attachments for building timber access roads. These quantities have not been included elsewhere in ERP requests for tractors, trucks, trailers, and road-building equipment.

[5] The difference between 15.7 million dollars and 15.9 million dollars is accounted for by such items as horse feed, harnesses, and engineering fees.

[6] Does not include such timber equipment as tractors, trucks, trailers, and timber access-road-building equipment. There is no information as to the past exports of these items specifically for use in logging. Available data on total exports of such equipment for all purposes have been presented by other witnesses.

Source of statistics on imports and exports: Foreign Commerce and Navigation of the United States.

Mr. WIGGLESWORTH. Are there any other questions?

DISCUSSION OF REVISION OF BREAK-DOWN OF REQUIREMENTS

Mr. STEFAN. I would like to correct those figures. If you are changing that figure to $15,900,000, maybe you had better change the figure of $62,500 000, which would be our share of the $87,100,000 for the 4¼-year period. Would you cut $1,000,000 off that, also, if you change the 16.9 to 15.9?

Mr. NITZE. I think in the justifications on page F–53 it speaks of what their requests are.

Mr. STEFAN. Yes; and we had 16.9 and that was changed.

Mr. NITZE. By subsequent information pertaining to Greece.

Mr. STEFAN. Now, would it not change the 4¼-year figure too, from 62.5 to 61.5?

Mr. NITZE. I do not think it would change what they requested, but it would change what we might anticipate shipping in the 4-year period. We have not given those figures here, because this is only the justification for the first year.

Mr. STEFAN. That is right. That is on their requirements. Their requirements for the 4¼-year period were 87.1 million, of which the United States would supply 62.5 million.

Mr. NITZE. I believe, Mr. Stefan, the situation there is that timber is so short in the world that the Europeans are overcutting their forests——

Mr. STEFAN. I was merely thinking of correcting the record. Here is a difference of $1,000,000 that we are talking about; in the interrogations and answers to the interrogations you have a $1,000,000 difference in the figure.

Mr. NITZE. Right.

Mr. STEFAN. And when we go into these hearings and break that down, you are going to have $1,000,000 to explain.

Mr. NITZE. The figure on page F–53 ought to be changed in the justification.

Mr. WIGGLESWORTH. Are there any further questions on this item?

Mr. STEFAN. I have no other questions on this, except these tractors, bulldozers, trucks, trailers, and freight cars are not included in the separate items for machinery, trucks, trailers, and freight cars, are they?

Mr. NITZE. They are not included in the separate items; that is correct.

NUMBER OF UNITS OF TIMBER EQUIPMENT BY CATEGORIES UNDER PROGRAM

Mr. STEFAN. And you have no information as to how many trucks and bulldozers there will be?

Mr. NITZE. Yes. There will be 250 bulldozers and 250 tractors.

Mr. STEFAN. And how many trucks?

Mr. CLINE. Approximately 200 the first year.

Mr. STEFAN. And how many trailers?

Mr. CLINE. About 450 trailers.

Mr. STEFAN. And how many freight cars?

Mr. CLINE. On freight cars, there are none of the ordinary sorts of cars that we know of at this time. Turkey has a small requirement for railroad equipment, but we do not have an itemized list of it. We know it includes narrow gage, wood-burning locomotives, and lightweight rolling stock. The United Kingdom has requested $40,000 worth of railway equipment for British North Borneo, but the details of this requirement are not as yet known.

ELECTRICAL MACHINERY AND OTHER APPARATUS

STATEMENT OF HOWARD E. WAY, MACHINERY AND MOTIVE PRODUCTS BRANCH, OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE

Mr. WIGGLESWORTH. We will take up electrical machinery and apparatus next. It appears from the over-all table you contemplate $6,050,000,000 worth of production with a very small amount of imports and that the total exports, percentagewise, are 7.9 percent. That compares with a production of $4,600,000,000 worth in the fiscal year 1947 and exports, percentagewise, of 12.2 percent. The con-

templated export apparently is less both percentagewise and dollarwise in 1948–49 than in 1947. That is correct, is it not?

Mr. WAY. That is right.

Mr. WIGGLESWORTH. Where is this electrical machinery to go?

Mr. WAY. It goes to all of the participating countries.

Mr. WIGGLESWORTH. In what amount?

BASIS FOR ESTIMATES OF EXPORTS UNDER PROJECT

Mr. WAY. The amounts were arbitrarily split; that is, you had the total amount of $500,000,000 as the request from Europe, which the committee decided was warranted, and that was split arbitrarily in this manner: we considered the former imports of the country from the United States and considered also the total amount of kilowatts they are going to install, and it was an arbitrary split based on those two considerations.

Mr. WIGGLESWORTH. You mean the total request from the 16 participating countries is $500,000,000 for this item?

Mr. WAY. That is right.

Mr. WIGGLESWORTH. And you are planning to export to those 16 countries $95,000,000.

Mr. WAY. In the first year.

Mr. WIGGLESWORTH. The $500,000,000 was on a 4-year basis?

Mr. WAY. That is on a 4-year basis; yes.

Mr. WIGGLESWORTH. Does this mean $95,000,000 allowed compared with $125,000,000 requested?

Mr. WAY. No. The request was in the form of a power program and not of electrical goods, and this report——

Mr. WIGGLESWORTH. You said the over-all request was $500,000,000 as I understood it, for 4 years.

Mr. WAY. The over-all request for the power program.

Mr. WIGGLESWORTH. And this over-all table shows $95,000,000 to be exported in fiscal 1948–49?

Mr. WAY. Yes. That is composed of two items; that is $12,500,000 for the power program and $82,500,000 for other electrical goods.

Mr. WIGGLESWORTH. Is that the full request for that year or not?

Mr. WAY. That is the full request for that year; that is the first fiscal year, 1948–49.

COUNTRIES TO WHICH ELECTRICAL MACHINERY IS TO BE EXPORTED

Mr. WIGGLESWORTH. Where is that $95,000,000 worth of electrical machinery to go?

Mr. WAY. $700,000 to Austria; $6,000,000 to Belgium-Luxemburg; $500,000 to Denmark; $22,000,000 to France; $1,000,000 to Greece; no assignment to Iceland; $1,000,000 to Ireland; Italy, $7,000,000; Netherlands, $6,300,000; Norway, $4,000,000; Portugal, $2,000,000; Sweden, $8,000,000; Switzerland, $1,000,000; Turkey, $2,000,000; United Kingdom, $28,500,000; western Germany, bizone, $5,000,000, making a total of $95,000,000.

METHOD OF FINANCING PROGRAM

Mr. WIGGLESWORTH. How much of that is to be financed by ECA?

Mr. WAY. I am not certain of the balance of payments.

Mr. WIGGLESWORTH. Who would know that?

Mr. NITZE. 43.3 million dollars over a 12-month period.

Mr. KEEFE. But, again, Mr. Nitze, you do not know what portion of that $43,000,000 is to be in the form of direct grants and what portion in the form of loans?

Mr. STEFAN. I cannot get the $43,000,000. The electric power equipment is going to be 12.5 million, April 1, 1948 to June 30, 1949, and the other electrical goods, 82.5 making a total of $95,000,000. Is the $43,000,000 a part of that?

Mr. NITZE. ECA financed portion.

EQUIPMENT AND GOODS INCLUDED IN PROGRAM

Mr. STEFAN. Do you have a break-down in here showing what kind of equipment and other electrical goods are involved in these figures?

Mr. WAY. That is the full line of electrical equipment.

Mr. STEFAN. Give us some illustration.

Mr. WAY. Motors.

Mr. STEFAN. What kind of motors?

Mr. WAY. They will be all-sized motors.

Mr. STEFAN. All-sized motors.

Mr. WAY. Yes.

Mr. STEFAN. What else besides motors?

Mr. WAY. There will be switch gear. I can read some of the items that are included.

Mr. STEFAN. Yes.

Mr. WAY. In response to our request to the CEEC—the Committee on European Economic Cooperation—they submitted this list of items which they would probably be short of.

Electrical condensers, that is, power condensers; voltage regulators and other instruments; circuit breakers and isolated switches, transformers; insulators—and other items are included here, but they are not in this electrical equipment list.

Mr. STEFAN. Is any copper wire included?

Mr. WAY. No. They are going to be short of copper in many instances, I know, in the copper program.

Mr. STEFAN. I have a break-down of copper, and that is one of the things I was wondering about. This electrical equipment includes equipment, transformers, switches and circuit breakers, and so on, and motors. What other electric power equipment?

Mr. WAY. There will be some generators during the early part of the program, small generators. There may be some large generators at the latter part of the program.

Mr. STEFAN. A lot of our REA lines built in the United States are short of a lot of this equipment.

Mr. WAY. They are short.

Mr. STEFAN. And that is my concern as to the availability of this equipment.

Mr. WAY. They were short, that is, the REA was short of power transformers.

Mr. STEFAN. Of transformers and also of conductors.

Mr. WAY. Yes; the companies, the manufacturers have been putting real pressure behind the REA program so that it is in pretty fair condition at the moment.

Mr. STEFAN. The REA program?

Mr. WAY. That is right.

The CHAIRMAN. Oh, no; I beg to differ with you. We have miles and miles of farmhouses that are already wired for electricity but they do not have the conductors.

Mr. WAY. I was speaking of transformers.

Mr. STEFAN. I beg your pardon. They have plenty of them?

Mr. WAY. We are in fair supply; we are not in perfect supply.

Mr. STEFAN. Yes. That is what this equipment represents?

Mr. WAY. The large transformers would have to go on a waiting list if Europe asks for them now.

Mr. KEEFE. What was the answer?

Mr. WAY. The present deliveries in the United States are about 18 months, and if they ask for them today it might be 18 months before they could even get a look at them.

Motors are just about even with the board.

Mr. STEFAN. The total cost of the electric power production part of this program for the United States is estimated at $5,315,000,000?

Mr. WAY. That is the cost to Europe.

Mr. STEFAN. That is by 1951, the 4¼-year program?

Mr. WAY. That is the cost to Europe.

Mr. STEFAN. Yes.

Mr. WAY. Of which they have asked for 6 percent of $5,000,000,000; $200,000,000 out of the $315,000,000.

Mr. STEFAN. So that the record may be straight: Is that the total requirement for electric equipment, including the electric power portion of the production program and the electric goods for consumption purposes—the total is estimated at $14,000,000,000 for 4 years, plus; is that right?

Mr. WAY. $14,000,000,000 includes all the other equipment, that is all of the electrical equipment which Europe can manufacture during that period.

OBJECTIVE OF PROGRAM IN EUROPEAN ELECTRICAL DEVELOPMENT

Mr. STEFAN. The justification states:

> These amounts are required to make the backlogs in production and maintenance of electric production and consumption during the war, and to aid Europe in overcoming its serious lag in electrical development behind modern economies.

Does that mean that the whole program is based upon the objective of putting them back where they were prewar?

Mr. WAY. It would put them ahead.

Mr. STEFAN. Ahead of prewar?

Mr. WAY. Yes. Electricity was not as available in Europe as it is in the United States—that is, prewar, it was not as available.

Mr. KEEFE. You have stated the fundamental basis of the entire program; as I understand it, you had as the genesis the total number of kilowatts available, and the total kilowatt production desired; that is what I understood you to say, and then the European Committee came in with an additional program?

Mr. WAY. The European Committee met; they had all of them from each country, and they met on a power program. That is very similar to a program we get in the United States. We plan and we hope, and we say we need to put in so many kilowatts in the next 4 years.

Mr. KEEFE. They determine they have got so much production now and "We hope that we can step up the production to so many kilowatts."

Mr. WAY. Yes.

Mr. KEEFE. In this period of time?

Mr. WAY. Yes.

Mr. KEEFE. And to achieve that production will require so much material.

Mr. WAY. Yes.

Mr. KEEFE. So much equipment, and so they come up with a demand for that equipment to implement the objective of the production of so many kilowatts which they believe is necessary.

Mr. WAY. That is right.

Mr. STEFAN. If I may refer to the statement in the justification:

Despite war damage to power plants, total installed capacity in the participating countries increased from 39,000,000 kilowatts in 1938 to 42.1 million kilowatts in 1946, or by 8 percent.

That is based on 12 months' operation.

This increase average is 1 percent per year, as contrasted with a 4-percent increase in 1938 alone.

With more intensive utilization of installed capacity, output of electrical energy increased from 130.5 billion kilowatt-hours in 1938 to 153 billion in 1946, or by 18 percent. This compares with an increase of approximately 100 percent in the United States over the same period.

Now based on the increase in kilowatts what is the objective? How many kilowatts are you shooting for now?

The CEEC report calls for an expansion of capacity amounting to 21,445,000 kilowatts under the so-called national program of the participating countries, and 2,306,000 kilowatts under the international program. The former is expected to cost $5,000,000,000; and the latter $315,000,000.

What is the expansion program, on a kilowatt basis? Is the inquiry propounded by the gentleman from Wisconsin, Mr. Keefe.

Mr. WAY. The demand for electric current is quite flexible. You can make steel by the use of coal or you can make it by the use of electric energy; you can run your factories with steam turbines, or you can run them by electric motors, but if you run them by electric motors we have found you do it more efficiently.

They have set up these national programs—I have all the details here, if you wish to examine them.

Mr. STEFAN. No; we do not, but I wanted to see what the total amount of the objective in kilowatts is. The CEEC program sets up a requirement of $500,000,000 in equipment from the United States of which $300,000,000 is intended for the national program and $200,000,000 for the international project. The $300,000,000 for the national program is required to provide primarily for bottleneck items which the participating countries will not be able to produce among themselves.

Now where does the break in that bottleneck come, in terms of kilowatts, and what is the total at which you are aiming in breaking the bottleneck?

Mr. WAY. This does not intend that we shall supply a complete generating plant. We tried, by a series of questions, to get the representatives of the CEEC to say "We need this particular item," and to give us a list. They would say, "We are building a plant,

which will consist of a generator, a boiler, a turbine and auxiliary equipment, and we lack one thing which will put that plant in operation; that is what we would ask you for."

So, it does not come down to a particular list of things. They arrived at the total by an expediency which is common in engineering; they took the $5,000,000,000 and took 6 percent of it; that is how the $300,000,000 was arrived at; there was nothing more precise in the $300,000,000 than it is 6 percent of $5,000,000,000.

Mr. STEFAN. That is certainly not a firm program, and because there is a lot of flexibility, and they are likely to have one of these plants hanging sometime before they get it running, and before they get into industrial operation.

Mr. WAY. They are planning ahead, in asking for this.

That is the precise method by which they arrived at the $300,000,000. In the international program there was a selection of nine plants out of several hundreds that were proposed. Each country proposed where there was a nice project that could be developed, and the committee, the European committee, selected nine which would contribute most to international supply, and they called it the international program, and that is what constitutes the international program.

LOCATION OF SELECTED PLANTS REQUIRING EQUIPMENT

Mr. STEFAN. Where are these nine plants located?

Mr. WAY. Two brown-coal plants in Germany; a volcanic steam plant in Italy; one or two large hydroelectric plants in Switzerland; one in Austria; and the others are grouped around that area; I could not give the predise locations.

Mr. STEFAN. Hydroelectric?

Mr. WAY. All hydroelectric; the one thing about the hydroelectric is it adds to the total amount of energy available and releases coal and other forms of fuel.

Mr. STEFAN. Of the nine plants how many are to be repairs or reconstruction; or are they all new ones?

Mr. WAY. All new ones.

Mr. STEFAN. All new ones?

Mr. WAY. There is some generation at the present site where this volcanic steam plant is.

OVER-ALL OBJECTIVE OF EUROPEAN RECOVERY PROGRAM

Mr. KEEFE. The point that I was patiently listening for—and you have not answered the question as yet, to which I was leading up to—is what is the objective that the ECA has in mind in these foreign countries?

Now generally you say the reconstruction of the plants to get them back where they will be able to get off our necks and to handle their own affairs, and so on, and so forth.

Now we are dealing with the subject of electricity, and we come to the basic program, based in general, as you have indicated from the statement "We need so much production of electric energy, and over a period of a certain time."

We can furnish this, and "We are asking you, the United States, under this program, to furnish materials, supplement what we are

able to furnish ourselves, in order to achieve that objective." Now what is the objective? You answer that this is a flexible program. I know it is flexible. You may produce more energy than is anticipated.

Mr. WAY. Electric power is an intermediary source of energy; if you burn coal you do it directly at the plant, or you can burn it in a power plant, and by that means you can get the energy out away from the plant. When you generate electric current you cannot use it in some particular place in France, for instance, unless you get it there by some intermediary means of transferring the current. That balances your industrial program.

Mr. KEEFE. Perhaps I cannot make myself clear. What you have said is perfectly academic, and I can understand that, but I am seeking to understand what is the total objective you seek to achieve in order to get these people off of our neck, and when you have achieved that ultimate goal, what is to be the program, at what point you can say we have reached this point where we can quit.

Mr. NITZE. I can relate the present question to the subject which we had under discussion the other day. The objective is to get them in a position where they can export enough to the Western Hemisphere and other countries to pay for what they have to import.

In order to do that they have to increase their production. This requires increased efficiency in production.

Mr. KEEFE. Increase it to what point?

Mr. NITZE. To a point where they can export enough and still maintain a reasonable standard of living and be able to pay for what they are required to import.

Mr. KEEFE. And this may be an interminable program then?

Mr. NITZE. It was the estimate that they could do that within 4¼ years.

Mr. STEFAN. You say:

> In all probability the "International" program will have to be projected some years beyond the present 4-year national program.

That is what you say in the justifications.

Mr. NITZE. That is for the construction of the electric power program. After 4¼ years it was anticipated that their exports would be enough to put them on a pay-as-you-go basis. They would still have certain capital expenses which they would have to undertake, such as in this electric-power field, out of their own resources.

I can answer your question as to what the targets of the CEEC reports were for productive capacity. The 1947 productive capacity, in electric power generating field, was 44,000,000 kilowatts; and the target for 1951 was 65,000,000, which is an increase of 21,000,000 kilowatts. Electricity is one of the shortest things in a number of countries today. The British have had to curtail their own production schedule because of a shortage of electricity needed to keep their plants going.

Mr. KEEFE. Suppose they reach that before 1952, could we quit

Mr. NITZE. We could quit in this field. It is not anticipated, however, that we could reach it before 1951, because the installation of electrical generating capacity is a slow process. If they reach the point where their exports were sufficient to pay for their required imports prior to that time then we could quit.

Mr. KEEFE. Then we get right back to the old fundamental basis of this whole thing, that the amount of imports that may be necessary are directly related to the standard of living which they seek to achieve, and if they reach a certain standard of living and they should decide they want something more and still have not reached the balance you refer to, then what is the ultimate in this thing? That is the question of concern to the contributors, the taxpayers of America, and I am seeking to get an answer to that question, because that is fundamental in the minds of many people.

You say you have an objective, and you have been asked the question all through the hearings what target you are shooting at, and we get right back to the fundamentals of the thing, and you say we have got to help get them in position where they will have sufficient exports to pay for the imports so they can have a balanced economy.

Now, the amount of imports which they bring in will, no doubt, be affected by the changing standard of living that may be effected in that country. If the standard of living goes up the demand is going to be more exports; their consumption is going to be larger and they are still going to want more.

Mr. NITZE. That is why so much emphasis was placed, during the consideration of the authorizing legislation, on stabilizing the monetary situation and on cooperation between the 16 countries to increase their production efficiency.

The CHAIRMAN. Is it a movable feast, like the rest of the program? That is about the question, is it not?

Mr. KEEFE. I am trying as hard as I know how to find out, Mr. Chairman.

The CHAIRMAN. Is it a movable feast, I mean, something speculative, or is there a definite objective? If it is a definite objective then you can answer Mr. Keefe's question as to what that objective is. If it is a speculative objective you can tell him that.

Mr. NITZE. I think the objective is clearly stated in the authorizing legislation.

Mr. KEEFE. Well, again it is most general.

Mr. WAY. I might say that when the committee's programs were made available in England the English manufacturers of electric equipment objected to the size; they said it was too large.

Mr. STEFAN. They objected to the amount?

Mr. WAY. Yes.

Mr. STEFAN. They said the amount was too large.

Mr. WAY. They said that they were going to manufacture some of these things from their own supplies.

Mr. STEFAN. So they objected to the size of the program.

Mr. WAY. If we did not do that much they would be satisfied.

Mr. WIGGLESWORTH. In respect to electric equipment?

Mr. WAY. In electric equipment.

Mr. WIGGLESWORTH. Yes. Are you going to give them more than they wanted?

Mr. WAY. It has been reduced; it was a larger figure.

Mr. WIGGLESWORTH. You are still going to give them more than they want?

Mr. WAY. No.

The CHAIRMAN. What is your background, Mr. Way?

Mr. WAY. I have been 25 years with the Department of Commerce.

The CHAIRMAN. In what section?

Mr. WAY. In 1922 I came with the Electric Equipment Division, was Assistant Chief of that Division between 1927 to 1933—from 1937 on, in the Electric Equipment Division; in 1941 the name was changed, and since then I have been in charge of the electrical machinery.

Mr. KEEFE. Mr. Nitze, I am familiar with the findings, declaration and policy in Public Law 472, and the declaration contained in the preamble of that act. It states the purpose of this program in most general terms. Is any party able to state, with any degree of certainty, at what point in this program it can be successfully maintained that we have achieved the purpose and from this point on this program stops?

Mr. NITZE. All I can do is to repeat that the controlling factor is the time when these countries exports are sufficient to pay for their required imports. It was hoped and the estimates indicate that such a position ought to be reached during a 4¼-year period, that they ought to be able to increase their exports so that after the 4¼-year period they would either be in balance or very close to balance. There were two countries we were concerned about, Austria and Greece, as to their ability to become sufficiently self-sustaining in a period of 4¼-years.

Mr. KEEFE. Then if these projected conjectures that are the basis of this program fail to materialize we would still be in the same position we are now, would we not?

Mr. NITZE. We would be faced with the same problems we are faced with today. Of course, the act contemplates that if the objectives and the purposes of the act are not adhered to continuously, the Administrator should cut off assistance unless he found some other procedure which would be more effective in accomplishing the purposes of the act.

Mr. KEEFE. Let us take Britain, for example: They say that have got to set into operation in Great Britain a program of austerity, I think was the term used. For what reason? To enable Great Britain to increase her foreign exchange to be able to ultimately pay for her own imports. She must stop the consumption of goods within Britain by her citizens and to reduce their standard of living proportionately in order to make goods available for export to provide foreign exchange. Now that is an oversimplification of the matter but fundamentally that seems to be about their situation as of today.

Now then, as this program develops it is hoped that some place along the line that the austere program may be relaxed and that the British people may be able to consume more and more goods through the raising of their standard. That is to be hoped for, is it not?

Mr. NITZE. It is to be hoped for, but it does not look as if there was any sufficient margin for any very large increase in the domestic consumption.

Mr. KEEFE. I am getting to the point that both Mr. Stefan and I have been trying to get an answer to: This program must be based upon some standard of living and consumption, and so on, by the British people, using that country as an example; they need so much imports, and they need relatively so much of exports to provide themselves with a certain standard of living, and every time you increase

those imports to increase the standard of living then you get a different relationship to that which is provided in the figures before us.

I would like to understand where in this situation is it contemplated that we will reach the ultimate thing that we are aiming for.

It may be that I do not make myself clear, but by placing Britain on a very severe and austere program, as far as the consumption of her own people is concerned, they would achieve this balance of relationship, as between exports and imports much sooner than if that austere program were not put upon them. Is that not true?

Mr. NITZE. That is correct.

Mr. KEEFE. Now, if you release that austere program, like a safety valve being released, the consumption of Britain starts going up and immediately the relationship between her exports and imports again gets out of balance.

Now what is the standard of living, and the character of the standard of living to be achieved during the basic period under which this program is supposed to operate; what is the ultimate goal of this program? Is it just a mere matter of flexibility that we can say is changing from time to time?

I do not know whether I have made myself clear to you or not, Mr. Nitze?

Mr. NITZE. Yes, you have.

Mr. KEEFE. That is the problem that has been bothering me all of the time since we have been considering this whole program.

Mr. NITZE. It is one that has bothered us while we were working on the program.

Mr. KEEFE. Last week they adopted a strong system of price control in an attempt to beat down the inflationary trend. They are operating a strong system of rationing, so to speak; they have cut down on travel as much as possible, and the utilization of gasoline and in every way have tried to conserve everything that goes toward a suitable standard of living in order that they might make available for exports goods which they produce rather than have them consumed, in order to build up their own dollar exchange. That is true, is it not?

Mr. NITZE. That is true, and even so the United Kingdom today is not in position to export enough to pay for her own required imports on this level. These estimates have been built on the assumption that those austere measures would be in general continued.

Mr. KEEFE. Continued for how long?

Mr. NITZE. That is one of the things that gets a little complicated, because as you recognize, from the food story that was given you, it is hoped that the world availability will be greater next year than it has been for this last year, when there were some bad crops in Europe, and that, therefore, there will be some increase in the food intake of the people of the participating countries above the level which has existed this last year. It will still be below prewar and still below what is considered by people who are informed on those things to be the appropriate level of feeding for the maximum production.

Mr. KEEFE. They would have to have a certain level, represented by the austere program, and then gearing their production program they are able to produce the necessary goods to enable them to go out and buy this food and import it. That is true, is it not?

Mr. NITZE. Yes.

Mr. KEEFE. So we still have the question——

Mr. NITZE (interposing). It is hoped the availability of food will increase rather than decrease.

Mr. KEEFE. I am assuming that food would be available in the amount you anticipate, so they can step up the program and provide dollar exchange, to enable them to get, within their means, the quantity of food in them that is needed, assuming that it is available.

Mr. NITZE. Yes.

Mr. KEEFE. As you say, and analysis has been made, but I do not draw the same conclusion that you have reached as to when we are ever going to get this progam off our necks, and I am afraid when 1951 or 1952 comes along, so far as our getting an end to this program, that in some countries the situation will be just the same as it is going to be in bizone Germany, forever, as far as we can see today.

Mr. NITZE. Our best judgment was that real progress could be made in the next four and a quarter years during which time they would probably lick the difficulty.

Mr. KEEFE. That is the best answer you can give to the question.

Mr. NITZE. I am afraid I could not answer a question on a very complex subject in one line, Mr. Keefe.

QUESTION AS TO REVISION OF ESTIMATES TO REFLECT CHANGING CONDITIONS IN EUROPE

Mr. STEFAN. May I ask you this question: Since these justifications have been drawn up, in some of these countries there have been some improvements in the conditions—that is, in the various countries that are going to participate in this program. Have those changes been reflected in these figures?

Mr. NITZE. The justifications which are before you were based on the revision of estimates made in March to contain the latest information.

Mr. STEFAN. Has there been anything arise since March to change those figures? For instance, you told us some days ago that the United Kingdom had made some arrangement with the Argentine to import into Great Britain a large amount of meat and some corn. Has that been reflected in these figures?

Mr. NITZE. That was concluded prior to the preparation of the figures that are before you.

Mr. KEEFE. As a matter of fact, it involved something like a million tons; 88 percent of the meat exportable is going to the United Kingdom; that was quite a figure and runs into more than $100,000,000.

Mr. NITZE. That is wholly reflected in these figures.

Mr. STEFAN. Those changes are fully reflected in these figures?

Mr. NITZE. Yes.

EXPORTS AND IMPORTS OF UNITED KINGDOM

Mr. WIGGLESWORTH. The chairman called attention to the fact that the United Kingdom's exports of major commodities in 1939 amounted to $1,949,517,000, and that the exports—that their imports from the United States, in terms of major commodities, amounted to $3,927,602,000. Can you give the comparable figures for 1947?

Mr. KINDLEBERGER. On what items? Do you have reference to the imports or exports to the United States?

The CHAIRMAN. No; I was referring to the exports over-all, and the imports over-all.

Mr. KINDLEBERGER. I have the figures for the exports over-all, comparing 1938, 1946, and 1947.

The CHAIRMAN. Do you have the figures for 1947?

Mr. KINDLEBERGER. Yes.

The CHAIRMAN. What are they?

Mr. KINDLEBERGER. $4,770,000,000.

The CHAIRMAN. Those are imports?

Mr. KINDLEBERGER. That is the total exports.

The CHAIRMAN. Exports, $4,770,000,000.

Mr. KINDLEBERGER. Yes.

The CHAIRMAN. That is exports.

Mr. KINDLEBERGER. Yes.

The CHAIRMAN. What were the imports?

Mr. KINDLEBERGER. I do not think I have those figures.

The CHAIRMAN. You do not have those figures?

Mr. KINDLEBERGER. They are being prepared by the Treasury, but I do not happen to have them in my possesssion now.

The CHAIRMAN. Do you think these figures are right?

Mr. KINDLEBERGER. There was a little difficulty about the totals, but the export figures are right, the final figures are right.

The CHAIRMAN. The exports for 1939 were 1.9 billion dollars.

Mr. KINDLEBERGER. I believe I do have the figures which I can give you now. They show a substantial increase; the British exports have gone up by roughly 90 percent.

The CHAIRMAN. Do you have any idea what the figures are?

Mr. KINDLEBERGER. I have the figures in pounds; I can convert them into dollars.

The CHAIRMAN. Your figures are in pounds—roughly four to one.

Mr. KINDLEBERGER. Yes; 1,787,000,000 pounds.

The CHAIRMAN. 1,787,000,000.

Mr. KINDLEBERGER. Yes; and I find I do have the figures in dollars. I just found this table. This lacks, however, the 1947 figures. This gives the balance of payments for 1938 again. Imports in 1938, $3,850,000,000.

The CHAIRMAN. Imports were $3,900,000,000 for 1939.

Mr. KINDLEBERGER. And they were $3,850,000,000 for the previous year.

The CHAIRMAN. For the previous year it shows up as $4,495,000,000.

Mr. KINDLEBERGER. It is very likely that is not imports for consumption, but total imports.

The CHAIRMAN. I am taking the imports; that is what I was asking you for—$7,148,000,000, if you use the figure you gave of £1,-788,000,000. Is that what the imports were?

Mr. KINDLEBERGER. Yes; for 1947.

The CHAIRMAN. Is that for imports, or is it something else?

Mr. KINDLEBERGER. That is the import figures.

The CHAIRMAN. $7,148,000,000. Is that for consumption or that all imports?

Mr. KINDLEBERGER. I will have to look at a footnote to find out. It covers imports, total imports, including imports for reexport.

The CHAIRMAN. What were the imports and goods services that they performed for other people?

Mr. KINDLEBERGER. That is the entire balance of payments, for 1947 that you are asking about?

The CHAIRMAN. I was asking what they had in the nature of receipts on accounts of shipping and other services rendered to other people?

Mr. KINDLEBERGER. I am afraid I do not have those figures.

The CHAIRMAN. You are not able to give them to us?

Mr. KINDLEBERGER. No.

The CHAIRMAN. Do you suppose you can get them?

Mr. KINDLEBERGER. Yes. I might add that the Treasury is preparing to testify on the balance of payments.

The CHAIRMAN. The Treasury is to cover that?

Mr. KINDLEBERGER. Yes; we were restricting ourselves simply to exports and imports.

The CHAIRMAN. Very well, we will not bother about that at the present time.

CONCLUSIONS FROM EVIDENCE ON PHASES OF ECA PROGRAM CONSIDERED

Mr. CANNON. Mr. Nitze, summing up all of the evidence which has been given before the committee in the last several days, what deductions or conclusions have you been able to draw; what in your opinion is the significance of the information which has been given to the committee?

Mr. NITZE. The testimony has not yet been completed, Mr. Cannon. We have gone through certain commodities, which are involved in the import requirements of the participating countries.

Mr. CANNON. You have gone far enough that it must be evident from the character of inquiries and from the nature of the information furnished the committee to know that it is probable that the information and material that we will get will be largely of the same character we have had during the last several days. What is your conclusion and what deductions have you drawn?

Mr. NITZE. What deductions?

Mr. CANNON. Yes.

Mr. NITZE. In my opinion the deduction which can be made from the evidence submitted is that the participating countries, without assistance from the United States, would be unable to import their requirements necessary for a recovery program, and without those imports, on the contrary, there would be a downtrend in the European countries.

Mr. CANNON. Well, we knew that before you started. We got all of that when we were considering the legislative bill. We went over it again and again. I do not see that the additional information you have given us here that would demonstrate that fact any more conclusively or more convincingly. You reach the final conclusion that within 4¼ years under this program we can, as outlined by the evidence on the legislative bill, and by the conclusions reached by Congress when it passed the legislative bill, put Europe back on its feet and make it self-sustaining, independent, and cooperative with America, and, to that extent an agency for preserving the world peace. Is that your conclusion?

Mr. NITZE. Yes. Obviously, one has to treat estimates in the future with some degree of reservation. One cannot estimate accurately into the future without peradventure of doubt.

Mr. CANNON. What you give this committee is largely an estimate. We have had the same estimate by other committees of the House. Under the terms of the legislative act, under the law which we have passed, and under which this committee today is operating, we were authorized to take up this plan of rehabilitation and implement it with funds to make it effective. If we do not provide the money, what is the alternative? Suppose we do not appropriate this money; suppose we do not provide the means whereby Europe, or the western nations of Europe are to get back on their feet; as has been suggested a number of times, what would be the effect upon this country?

Mr. NITZE. In my opinion the effect would be disastrous for Europe, and also disastrous for the United States.

Mr. CANNON. While it is not a part of the program proper, it may be noted that if this program had not been adopted the prices of all agricultural products at this minute would be in collapse. They would be down at the lowest point to which they could go when the floor under agricultural prices becomes effective. We would be in the midst of a depression at this time, and wheat and hogs would be selling at below the cost of production. That is the first effect the denial of this program would have upon our own domestic economy. Second, the advocates of democratic government and the anticommunistic forces in Europe would be disheartened by the fact that we were even considering denying Europe the help provided by this program. What effect would denial of this appropriation have upon the free governments in Europe, and what effect would it have upon the advance of communism which is threatening western European nations today?

Mr. NITZE. I think this is a subject that Mr. Lovett could testify on better than I could. It certainly would be my opinion that there would be an immediate effect on the political situation in Europe.

Mr. CANNON. Well, of course, this committee will provide every dollar asked. All this inquiry here is merely a rehashing of what has gone on before. We will provide every dollar you ask, and we will continue to provide it for the 4¼ years as suggested, and if we do continue the 4¼-year program do you have reason to believe that we will achieve the objective for which the authorizing legislation was passed, and for which this money is to be provided?

Mr. NITZE. We believe that the objective can be achieved. I want to refer again, however, to the hesitancy that anyone who has worked with these estimates must have at making any conclusive prediction as to what can happen in the future.

Mr. CANNON. As a matter of fact, under the terms of the legislation under which we are proceeding today the determination of most of these questions, the amounts provided, the cost of commodities and the allocation of them is vested in the Administrator. He himself does not know at this time just what amounts will be needed or where they will be needed. He must meet these propositions as they arise for the reason that it is impossible for anyone at this time to give us definite and accurate information on the various questions about which we have been questioning you.

Mr. NITZE. We are giving the committee as accurate information as it was possible for the executive branch to assemble.

Mr. CANNON. But as a matter of fact it must be done always with the reservation that the Administrator determines his action on these conditions as they arise and he must be prepared to meet them as the situation requires.

Mr. NITZE. That is correct.

Mr. CANNON. That is all, Mr. Chairman.

The CHAIRMAN. I suppose you go right on to the logical conclusion that at the end of 4¼ years there will be a complete collapse in agriculture and industry in the United States?

Mr. NITZE. No, sir.

The CHAIRMAN. You do not go that far?

Mr. NITZE. No.

The CHAIRMAN. Well, all right; I will just leave it that way.

Mr. CANNON. We have had information from the Department of Agriculture to the effect that but for this program we would be in the midst of a depression in which the prices of wheat and hogs would have dropped to a disastrous level.

The CHAIRMAN. I think that was your testimony rather than the Department of Agriculture's.

Mr. CANNON. If you look that up you will find that the Department testified to that effect.

Mr. KEEFE. Well, Mr. Chairman, in view of the fact that the distinguished minority ranking member has indicated that he is going to give the entire amount of money requested without qualification and do it over a period of 4 years, is there any further necessity for any further hearings in this matter?

Mr. CANNON. Are we not just wasting time?

Mr. KEEFE. Maybe the gentleman feels that way, but I do not ——

Mr. CANNON (interposing). I was merely giving the statement that the gentleman made yesterday to that effect in which he stated the reason he failed to ask any questions here was because it was fruitless to go over cold facts again.

Mr. KEEFE. I may have said something generally to that effect, but the gentleman never made any such statement as the gentleman from Missouri just made to the effect that the committee is going to give every dollar asked for in this present appropriation with every dollar that is asked for in the next 4 years. There can be a lot of water going under the bridge in that time, and, as far as I am concerned, I do not want to stand committed to any such statement.

Mr. CANNON. No such statement was made about the next 4 years, but for this estimate that is before us here we are going to give all of the money requested, and the quicker the better.

Mr. KEEFE. I say that when you read the record over you will see that you did not limit it to this estimate, but the whole 4-year program.

Mr. CANNON. On review of the record the gentleman is correct.

Mr. KEEFE. We may not be here at the end of the 4-year program, and I do not want to commit anybody that far ahead.

Mr. CANNON. I am willing to go along with the gentleman a little further than that, and I will say that I am for it, that if this first year's program is a success we are going to continue it.

Mr. KEEFE. What?

Mr. CANNON. If the first year's program is a success we are going to continue it.

The CHAIRMAN. Of course, we have got to consider when we take this appropriation up the fact that every one of these appropriations that the Congress has made, where we delegated the authority to somebody else to make the allocations and to go through the mill have been disastrous and that we are reaping the effects now of the lend-lease operation and the appeasement program that resulted from the UNRRA operation.

We have to consider those factors and proceed very cautiously and very carefully, and we have got to find out what we are doing so that we know what the impact of this program is upon the United States economy, and if we do not do it we are missing the boat entirely and failing to meet our responsibilities, and for my own part I propose to meet them.

Mr. KEEFE. Mr. Chairman, may I say, in view of the rather broad and gross statement made by the gentleman from Missouri, that I have tried ever since these hearings have started to get into this record certain basic policy information, and I propose to do that as long as we hold these hearings.

I believe that this committee has a function to perform in inquiring into the basic-policy programs.

I have stated time and time again that, as far as I am concerned, I am reserving certain questions to address to the Secretary of the Treasury and to the group that comes here who are in a position to answer many of the questions which I have heretofore asked and which, apparently, could not be answered by the Department witnesses who have appeared here, and that I would expect before these hearings are concluded to have some very basic questions to submit to Mr. Hoffman, who is the Administrator who is charged with the administration of this entire program, and who, by the very nature of things, coming in cold on a program almost on the very day these hearings started, could not have been expected to have formulated basic policy with respect to many of these things and be expected to be able to answer those questions.

For example, I have repeatedly asked the question as to whether or not any witness here is able to say what part of the ECA funds that are allocated for aid to these 16 participating countries are to be in the form of grants and gifts, and what part in the form of loans.

No one has been able to answer any of those questions. Perhaps Mr. Hoffman will not be able to, and perhaps nobody else will be able to, but I propose to ask them of the people who are charged with the administration of it, whatever department it may be, so that if anyone wants to come and get an over-all evaluation of the money that is required here we will have an over-all picture of the situation. I am sure that we fully realize what I have expressed time and again in this record here, we realize that conditions change from day to day and from month to month.

You cannot speculate, Mr. Cannon, nor can I, as to what the crop situation will be in America in 1950 nor 1949, nor can we speculate as to what the crops will be in the European countries during that time.

We cannot speculate as to what the production of coal will be in this country or in foreign countries, or what transportation difficulties

we may encounter, and 1,000 other things that may come up to affect this entire program as it moves forward.

But, there are certain basic, fundamental things that it seems to me the people of this country are entitled to know about this program and that the Congress is entitled to know about it, and as far as I am concerned I intend to stay here, and whenever the opportunity presents itself to get an answer to some of those basic questions I propose to propound them.

I am not interested in all of the multitudinous details on rice, pulses, and all of that sort of thing that is involved.

It is my thought that we should go into them, perhaps, but every witness who has testified when asked, and when pinned down to a specific thing would say, "Oh, yes, these figures we have given you here are merely estimates and subject to change without notice; they are the best estimate we have. We have revised them since this first justification has been submitted and they will be revised again, again, and again as this program gets under way."

I concede that, so far as basic information is concerned, it is the most general sort of information that we are being confronted with and we cannot, in the very nature of things, be expected to pin this thing down to a dollars-and-cents proposition. It is not possible in the very nature of the program, but there are some things which it seems to me are vital and affect the dollar volume that is here involved, especially this question of information as to availability of supplies and the possibilities of further contributions of foreign countries in their own dollar exchange, in the purchase of these commodities, and a further inquiry into the possibility of loan programs instead of gifts and direct grants in connection with this program. I have spent a good deal of time outside of this committee in an attempt to assemble some information so as to be in a position to ask some intelligent questions when we get people before us who are in a position to answer those questions which involve policy.

It is not as simple as to say that the Congress has authorized $5,300,000,000.

They have $1,000,000,000 secured by a public-debt transaction which is available to aid them now, but we are not going to give them the whole $4,300,000,000 and say, "Here is a blank check, go and use it."

I would not feel that this committee nor any of the members of the committee were performing their functions to the people of this country or the Congress or to the departments and the Administrator who is charged with this responsibility if we did not propound some questions that would, perhaps, lead to some thinking on the part of the Administrator that might be helpful to him in the achievement of the over-all objective that is involved here.

So, I do not want to be bound by the general statement of the gentleman from Missouri that this committee just grants a blank dispensation to give to the Administrator a blank check, and say, "Go ahead, we are going to give it to you for the next 4 years and to give you every dollar and penny that you ask for." I cannot be bound myself to that philosophy.

Mr. CANNON. I am in thorough accord with what the gentleman has said, and I want to go along with him absolutely in securing the necessary information that is available.

I thoroughly agree with him that a good deal of the time we have spent here securing information about rice, and such commodities has been wasted, and any information we get on that has to be adjusted and readjusted. And I am in thorough accord with him that there are certain basic questions as to whether these are to be loans or grants or gifts and if we can get some information on those questions we should get it. It certainly cannot be secured here.

Mr. KEEFE. The chairman of this committee has indicated time and again that at the proper time the people who are charged with this administration are in a position to give that information and that he intends to call Mr. Hoffman up here; is not that right, Mr. Taber?

The CHAIRMAN. I expect to have him, yes.

Mr. KEEFE. And that he expects to call people from the Treasury, including the Secretary of the Treasury and his aides who are interested in this proposition and who can answer some of these fundamental questions so that we may have that information available, and I am not critical of what the chairman is doing, having full knowledge of the fact that he has in mind the necessity of laying a broad foundation of inquiry as to these programs.

For example it was admitted here yesterday by one of the witnesses who testified with respect to one of the items to which I particularly called attention that the figures were grossly disproportionate perhaps. I have forgotten just now what it was on. I think it was on Luxemburg and Belgium on which we were discussing certain items which showed grossly disproportionate figures.

Mr. CANNON. They were not in a position to give us more accurate figures.

Mr. KEEFE. And when we came down to the consideration of the necessity of that situation the gentleman who testified, and it will appear in the record, said that this represented their best guess and he said your guess might be just as good as ours and that we might decide in this committee that this is altogether out of line, the proposal that is set up appropriationwise, and he very fairly indicated—I have forgotten the gentleman's name—but your heard his testimony, Mr. Nitze.

Mr. NITZE. Yes, sir.

Mr. KEEFE. That the thing was a pure guess on their part based upon such information as they had, and that our guess might be just as good as theirs.

Mr. CANNON. And for that reason it is wholly fruitless for us to be dealing wholly in estimates. It is axiomatic that we are not going to give any nation in Europe a single dollar if they are in a position to pay for it.

The CHAIRMAN. I am not so sure, Mr. Cannon.

Mr. CANNON. All of the money that is going to be given to them is going to be in loans, repayable with interest if they are in a position to make repayment. Of course, we are only going to make donations where it must be done, and where there is no possibility of repayment.

Now, the Administrator when he comes, and the Secretary of the Treasury when he comes here may have some estimate as to what that will be, but nobody knows at the present time what amount of money will have to be donated and what money can be loaned to them. We know that every American official and certainly the Members of this committee and the Congress will insist that every

dollar that can be salvaged from this program must be saved and that we must take such security as they can give us, but where it is impossible to get it back, where they will never be able to repay us, as unfortunately will be the situation too often, of course, we will have to make grants.

All of us know that every American official called before this committee would say, he is not going to give them a dollar that we do not have to give, but that he is going to secure repayment wherever it is possible to do that. However, as to how much must be given, how much granted, and how much is going to be repaid, that is merely an estimate.

Mr. KEEFE. That whole question is involved in the matter of policy of procurement and how this matter is going to work, and it is not at all clear to me despite the questions I have adked on this subject. It all relates to this question of repayment. It will be especially true when we get into the Chinese situation on which I am devoting quite a considerable amount of time outside of the committee in trying to get some basic and fundamental information.

Do not tell me that this committee has not some responsibility in that regard and that we cannot do something in connection with the consideration of this bill because I think we can, and the American people are looking to this committee to do something about it.

Nobody seems to be thinking about the tremendous debt that we have as compared with the per capita national debt of the participating countries that are involved and expect to go into it.

Mr. CANNON. All of that was considered at the time the authorizing legislation was passed and it was debated exhaustively in the committees and on the floor of the House and Senate. We have already passed over that. That has been determined once and for all.

The CHAIRMAN. I do not intend to be a rubber stamp. I never have been, and I do not intend to start it.

Mr. CANNON. In the meantime this matter should be handled as promptly as possible. We have already waited too long. If this had been done 2 months ago we might not have had the difficulty and the anxiety that we have had about the Italian situation.

Mr. KEEFE. The gentleman well knows that there were many people on the floor of the House who listened to the debates and the arguments when it was reiterated time and time again that the Congress would depend on the Appropriations Committee to scrutinize this program very carefully.

The CHAIRMAN. That was even said by the Foreign Affairs Committee.

Mr. KEEFE. Yes, and that was said by the Foreign Affairs Committee, and many people supported this program on that basis that we were not just going to rubber stamp the action of the Foreign Affairs Committee.

Mr. CANNON. There is a difference between scrutinizing it and between stirring up sterile facts from which there is no conclusion to be reached.

The CHAIRMAN. If we did not get the facts that were not there to base a program on and if we do not develop the thing so that we know what we are doing and what we are approaching we are failing to meet our responsibility, and if we had not developed the things we have

developed we would not have met our responsibility. I do not propose to dodge my responsibility. I am going down the line.

Mr. CANNON. Where are the facts we have developed here?

The CHAIRMAN. We have developed all sorts of facts as to these countries, their requests and their requirements, and so forth, and those facts were developed nowhere else either by the Department or before the other committees. I checked that before I asked these questions.

Mr. CANNON. You have not developed any facts that we did not know when we started.

The CHAIRMAN. Oh, yes we have, many of them.

Mr. CANNON. What we ought to do is report this bill out to the House and start the program moving.

Mr. KEEFE. The program is moving, for Heaven's sake, with a billion dollars right now.

Mr. CANNON. But the program will be in a state of uncertainty until we reach a final conclusion and the bill is passed.

The CHAIRMAN. That has not been delayed in when the hearings started. We started too quick and the agencies and departments were not ready with the information that we needed to operate on, and they are not ready now.

Mr. CANNON. We should have asked for it 2 months ago.

The CHAIRMAN. We could not ask for it until we found out what the other agencies had developed so that we would not be running over the same stuff that they had.

Mr. CANNON. The whole program should have been through 3 months ago.

The CHAIRMAN. We might just as well go ahead and get this information for if we did not I would not be willing to appropriate one dollar. I am going to have it, or I am not going to do business. That is sine qua non with me.

Mr. CANNON. I am willing to go along with the chairman, and I will stay here as long as he wants to hold hearings. While we delay Europe marks time.

COPPER

STATEMENT OF CLARENCE WENDEL, HARLAN BRAMBLE, INTERNATIONAL RESOURCES DIVISION, DEPARTMENT OF STATE

The CHAIRMAN. We will take up the copper program.

Mr. WENDEL. I have some tables here, Mr. Chairman, that I believe the committee requested on the United States stock and consumption position.

Mr. CANNON. Who is the witness, Mr. Chairman?

The CHAIRMAN. What is your full name, Mr. Wendel?

Mr. WENDEL. Clarence Wendel.

The CHAIRMAN. And your position is what?

Mr. WENDEL. I am in the International Resources Division of the Department of State.

UNITED STATES STOCKS, NEW SUPPLY, AND APPARENT CONSUMPTION OF COPPER

The CHAIRMAN. You might place the copper table in the record.

Mr. WENDEL. Yes, sir.

(The matter referred to is as follows:)

United States stocks, new supply, and apparent consumption of copper—Primary and secondary, 1937, 1938, 1939, 1947

	1937	1938	1939	1947
Stocks, Jan. 1 [1]	305,500	393,000	414,000	350,000
New supply:				
Mine production	841,998	557,763	728,320	846,400
Imports	279,875	252,164	336,297	493,000
Secondary production old scrap	408,900	267,300	286,900	[2] 460,000
Total availability	1,836,273	1,470,227	1,765,517	2,149,400
Exports	319,421	393,359	390,474	149,000
Stocks, Dec. 31 [1]	393,000	414,000	355,500	276,000
Apparent consumption	1,123,852	662,868	1,019,543	[3] 1,815,400

[1] Stocks of refined copper and blister and unfinished materials as reported by primary smelting and refining plants.
[2] Estimate.
[3] Includes an allowance for reduction in the Office of Metals Reserve stocks of refined shapes and includes whatever quantities were delivered to the permanent stock pile.

The CHAIRMAN. The program here involved is 95,000 tons, is that correct?

Mr. WENDEL. We should talk in terms of tons, I believe, for simplicity.

The CHAIRMAN. This 95 is 95,000 tons, is that it, or isn't it?

Mr. WENDEL. These are in short tons.

The CHAIRMAN. Eighty thousand four hundred short tons?

Mr. WENDEL. Yes, sir; that is right.

The CHAIRMAN. And that involves how much money?

Mr. WENDEL. Approximately $32,000,000.

COPPER TO BE SUPPLIED BY UNITED STATES AND OTHER WESTERN HEMISPHERE COUNTRIES

The CHAIRMAN. How much of that is to be provided for by the United States Government in this program?

Mr. WENDEL. Well, approximately, for a 1-year period about 300,000 tons will be required to be purchased in the Western Hemisphere which has a value of about $12,000,000.

The CHAIRMAN. That is all to be paid for by the United States Government?

Mr. WENDEL. I think we will have to refer to the white sheets to pick up the dollar figures.

The CHAIRMAN. No; I do not believe you can get it that way. You might get it out of some other book.

Mr. NITZE. I think I can give you the figures, Mr. Chairman. The ECA financed portion from the United States would be $13,500,000.

The CHAIRMAN. That is what would be financed out of this appropriation?

Mr. NITZE. And in addition thereto shipments from other Western Hemisphere countries would be financed to the extent of $165,500,000.

The CHAIRMAN. You mean that the exports out of the United States to be financed out of ECA would be $13,000,000 but Western Hemisphere exports beyond that would be $165,000,000, is that the idea?

Mr. NITZE. That is correct, sir.

Mr. STEFAN. The table in the justifications shows total shipments from the Western Hemisphere in 15 months would be $158,400,000.

Mr. NITZE. It would be $5,500,000 from the United States and the Western Hemisphere would be $66,000,000.

The CHAIRMAN. $66,000,000?

Mr. NITZE. Yes, sir.

The CHAIRMAN. How much from the United States?

Mr. NITZE. $5,500,000 is what my figures show.

The CHAIRMAN. That shows $15,000,000 in this book here on page 134, and in the other book it shows a total from the Western Hemisphere of $158,000,000; I do not know.

The CHAIRMAN. This is $158,000,000 on page 4 of this thin book. That is physical quantities, yes. $158,000,000 is the copper figure from the Western Hemisphere of which ECA is supposed to finance $39,200,000, is that it?

Mr. NITZE. Yes, sir, $85,000,000.

The CHAIRMAN. $85,600,000.

Mr. STEFAN. $107,800,000 for the 15 months.

The CHAIRMAN. $158,000,000 from the Western Hemisphere, of which ECA would furnish $85,600,000.

Mr. STEFAN. That is $158,400,000. In 12 months for ECA it is $85,600,000 and in 15 months it is $107,800,000.

REQUIREMENTS FOR AUSTRIA

The CHAIRMAN. Now, let us go through the program. You have Austria down for 13,000 tons of imports with 12,100 tons financed by ECA giving them an available supply of 15,000 tons as against 17,000 pre-war. Why do we need to do that?

CATEGORIES OF COPPER IN PROGRAM

Mr. WENDEL. I would like to make a few general remarks, Mr. Chairman, if I may to explain what categories of copper we are dealing with here.

The CHAIRMAN. Yes.

Mr. WENDEL. First of all, we are confining these figures on a tonnage basis to primary copper only, and that does not include secondary or scrap copper, nor such things as copper wire, copper rods and other semi-manufactured and manufactured products. Those items, I believe, will come under other manufactured goods.

So, what we are dealing with here is primary copper, including copper in ores and concentrates which are brought into a country for smelting, blister copper which is brought in for refining, or the refined copper which is ready for fabrication into wire and other manufactured items.

DETERMINATION OF AMOUNT OF COPPER TO BE EXPORTED UNDER PROGRAM

Now, the approach in determining what the European countries might have was to first appraise the United States requirements primarily on the basis of the 1947 imports into this country.

After that was set down the remaining available supply was distributed among the European countries and the other claimants in proportion to their respective requirements.

I believe that the European countries in general were allocated a smaller amount of copper than they originally requested.

Some of the countries require slightly more copper than they did in 1947 because the rehabilitation of their copper industry has been rather rapid, and that is particularly true of France and Italy.

In the case of England I think the amount is just about the same as her consumption in 1947, although she requested something like 25,000 tons more than the figure set down here.

REQUIREMENTS FOR VARIOUS PARTICIPATING COUNTRIES

AUSTRIA

Mr. TABER. You have Austria down for 13,000 tons of imports with 12,100 tons financed by ECA, giving them an available supply of 15,000 tons as against 17,000 prewar. Why do we need to do that?

Now, I would like to change this figure on Austria for the reason that we have had subsequent information which indicates that a figure of 13,000 is slightly higher than necessary. This is, I believe, the only figure that requires changing on the basis of later information.

Mr. STEFAN. What are you going to change it to?

Mr. WENDEL. We will change it to 10,000, but the 10,000 will also include 2,000 indicated under domestic production, since that 2,000 tons will be smelted there but not from domestic ores. It will be from imports of ores.

The CHAIRMAN. How much will the 12.1 change be?

Mr. WENDEL. I would judge, and this is a guess, about eight or nine.

I would like to explain why the imports predicted for 1948 and 1949 are so much larger than those in 1947. You have probably heard testimony that some of the European countries have up until now been unable to do little in the way of industrial rehabilitation. This is true of Austria and it is hoped that this country will be able to supply its own requirements for copper products under the ECA through fabrication of copper internally. It is possible that it may be necessary for some of the 10,000 tons of imports to consist of copper wire and other manufactures should the industry not rehabilitate as rapidly as it is hoped it will. This would merely mean that the requirement would be shifted from crude copper into copper wire manufacturers.

Mr. ENGEL. But it would take more money?

Mr. WENDEL. Yes, it would take more money. It is preferable to import crude copper since Austria will then use domestic labor and power to fabricate it.

BELGIUM

The CHAIRMAN. You have Belgium with imports of 120,000 tons, about half of their prewar importation, and 45,000 tons available in Belgium as against 129,000 tons prewar. Are we sending them that copper?

Mr. WENDEL. No, this comes from their own colony, the Belgian Congo.

The CHAIRMAN. They get that themselves?

Mr. WENDEL. Yes, sir; they get that themselves, and some of it also comes to us.

The CHAIRMAN. That is not in the program at all?

Mr. WENDEL. No, sir; it is not in category of ECA financed imports.

The CHAIRMAN. All right, we will spend no time on that.

There is nothing in Denmark.

FRANCE

In France there seems to be a small item of 107,000 tons of imports, and 30,500 tons in the ECA set-up. Why do we need to do that?

Mr. WENDEL. Well, France receives some copper from her colonies, but not nearly enough to keep their domestic economy going. Before the war, France used an average of 120,000 tons a year. In 1947 consumption had returned to a rate of over 100,000 tons annually. What we have set down is a figure that will just about sustain the present level of copper consumption.

VACUUM CREATED BY ELIMINATION OF GERMANY AS BASE COPPER FABRICATOR

I might add that it is essential for the industry of European countries to be at a high level since there is a vacuum created by the elimination of Germany as a large copper fabricator.

Germany before the war consumed something like 200,000 or 250,000 tons of copper a year, a substantial amount of which was exported to other countries in the form of manufactures, machinery, copper wire and the like. You will notice when we get to western Germany that we have set down only 30,000 or 40,000 tons for the present German requirement.

The CHAIRMAN. Are they doing business any more?

Mr. WENDEL. They are doing a little bit, but anyway you will have a gap of several hundred thousand tons in Europe. I think the total copper requirement of Europe is much less than it was before the war.

POSSIBILITY OF EXCHANGING COPPER FOR CRITICAL ITEMS

Mr. ENGEL. France owns New Caledonia, and New Caledonia has more of the types of critical items that we need for stock piling than any other place of its size in the world. Why cannot they obtain this copper from us or make some deal so that they can pay us with some of these critical items they have?

I have a statement on New Caledonia showing that they are not manufacturing anywhere near her capacity of nickel.

Mr. WENDEL. I think that is perfectly feasible under another phase of the program; that is, there is substantial provision in the act for the return of strategic materials.

Mr. ENGEL. But if we give them this, then we have to pay dollars for what they return.

Mr. WENDEL. No. I think the manner in which we acquire the strategic materials is open. I believe the act reads it might be in the form of barter, trade, purchases, etc. It is for the Administrator to determine.

There is one material produced in New Caledonia that we are much interested in—that is, chromite. The nickel, unfortunately, is not produced in a form that we can use for stock piling.

Mr. ENGEL. But New Caledonia is not producing anywhere near the amount of nickel her capacity will perimt her to produce, and these are figures I got from the Army.

Mr. BRAMBLE. The director of nickel corporation in New Caledonia was in the United States recently, and I had a chance to talk with him. Their problem down there seems to be trouble in the delivery of coal. They use coal in the preparation of the concentrate that they ship, and they are trying to change their method of production from coal to the utilization of oil, which they think they can get from the Netherlands Indies, but at the present time they are not able to put out as much nickel as they have capacity for.

ITALY

The CHAIRMAN. You have Italy down for 30,000 tons and 72,000 over-all imports against 76,000 prewar and 78,000 in 1946. Why do you need to go as heavy as that in that picture?

Mr. WENDEL. I think the reason is again that we have that vacuum left by the cessation of the German copper industry. It means in place of the copper and the copper items that Italy used to receive from German sources, she must manufacture herself. You notice these total imports are somwehat lower than prewar.

The CHAIRMAN. A little bit. Is there any part of the rest of the 72,000 financed by us except the 30,500?

THE NETHERLANDS

The CHAIRMAN. For the Netherlands, you have an importation of 14 against 10 prewar and 10 in 1946 and none in 1947, with 10½ financed by us. Why do we need to finance that?

Mr. WENDEL. First, their customary source of supply was the Western Hemisphere, and again they need some more copper to replace that which they used to import from Germany.

The CHAIRMAN. They did not produce it in Germany, did they?

Mr. WENDEL. No. The Germans produced some of their copper, but they also imported many ores which were smelted there.

SWEDEN

The CHAIRMAN. There seem to be no imports in Norway, in Portugal none, and in Sweden 63,000 tons of imports as against 49 prewar, 52 in 1946, and 54 in 1947. Why would that be stepping up?

Mr. WENDEL. Sweden is rapidly industrializing in place of Germany. It indicates a substantial increase in requirements for manufacture of finished products.

The CHAIRMAN. Switzerland seems to show some increase.

Mr. WENDEL. Yes. I think the situation is similar to Sweden. These countries are in better shape to expand than the other countries.

UNITED KINGDOM

The CHAIRMAN. There are no imports for Turkey. For the United Kingdom, there seem to be about the same imports as the last few years and a little more available. We seem to be down for financing 82,300 tons. Why is that?

Mr. WENDEL. I think that is mainly the requirement from Canada.

The CHAIRMAN. And we are financing it?

Mr. WIGGLESWORTH. The requirement from Canada?

Mr. WENDEL. And Chile. I think that is about 50 percent Canadian and 50 percent Chilean.

GERMANY

The CHAIRMAN. Germany seems to be down for an import of 46,000 tons with 13,100 financed by ECA and the rest of it coming, I suppose through the other GARIOA appropriation?

Colonel BLUMENFELD. No, sir—from exports.

The CHAIRMAN. From where would they come?

Colonel BLUMENFELD. That is part of the item they would derive from the exports they sell and derive money which they would in turn use to apply against the needed imports, of which, of course, copper is one.

Mr. ENGEL. Is that the revolving fund they have over there?

Colonel BLUMENFELD. That is the GARIOA fund; yes.

Mr. ENGEL. It is the revolving fund they have over there?

Colonel BLUMENFELD. That is right.

Mr. ENGEL. In which they put the export money and then buy imports?

Colonel BLUMENFELD. That is right. It is the sole source of money they have had for the purchase of GARIOA imports in the past.

TIN

STOCKS, NEW SUPPLY, AND APPARENT CONSUMPTION OF TIN

The CHAIRMAN. The next item is tin, and we will put in the record the page in the table relating to tin.

(The table above referred to is as follows:)

United States stocks, new supply, and apparent consumption of tin (primary and secondary)

[Long tons]

	1937	1938	1939	1947
Stocks, Jan. 1	17,978	25,984	25,260	65,785
Dealers, consumers, smelter, etc., all forms	17,978	25,984	25,260	23,946
Government				[1] 41,839
New supply	115,534	70,794	96,636	90,677
Primary	88,434	49,794	70,636	64,195
Domestic mine production	168	95	34	Neg
Imports:				
Ores and concentrates	151	neg	500	30,503
Metal	88,115	49,699	70,102	33,692
Secondary metal	27,100	21,000	26,000	26,482
Total supplies available	133,512	96,778	121,896	156,462
Exports	313	205	2,105	419
Stocks, Dec. 31	25,984	25,260	29,025	67,383
Dealers, smelter, etc	25,984	25,260	29,025	23,550
Government				43,837
Apparent consumption	107,215	71,313	90,766	[1] 88,660

[1] Excludes amounts in or transferred to permanent stock pile.

The CHAIRMAN. You have a proposed export from the United States of 550,000 tons of tin?

Mr. WENDELL. No; there will be negligible exports.

The CHAIRMAN. Well, it says here "exports of tin."

Mr. WENDEL. But it is 550 tons, is it not? Here we drop the thousands.

The CHAIRMAN. That is 550 tons?

Mr. WENDEL. Yes.

The CHAIRMAN. You have Austria down for just about the same amount as it had, and you seem to have a proposed increase of importation of tin into the United States in 1948.

Mr. WENDEL. I would like to make some general remarks, again, there.

The CHAIRMAN. What can you say on that?

Mr. WENDEL. The production of tin in the Far East was generally knocked out by the war, and it is slowly reviving. The world production in 1947 was 114,000 tons, and in 1948–49 it is estimated at something like 160,000 tons.

The CHAIRMAN. That means the Far East rather than anything else?

Mr. WENDEL. Well, it is the Far East, Bolivia, and Nigeria.

The CHAIRMAN. You mean the increase?

Mr. WENDEL. The increase was in the Far East; yes. Supplies of tin are allocated by the International Combined Tin Committee, so that these imports are closely integrated with the allocations of that committee, and I think in almost all cases, if not all cases, they are somewhat lower than the requests of the countries themselves. The United States is allocated a tin supply along with others through the working of this committee, and all of them are kept in close balance with the requirements and the stock position, and so forth, of each country. The United States will receive, I think, substantially more than they did last year.

The CHAIRMAN. I do not understand this table you have given us. This sheet shows 90,000 tons——

Mr. WENDEL. The long sheet is for 15 months.

The CHAIRMAN. The long sheet is for 15 months, but where is the figure that corresponds to the imports? I do not just——

Mr. WENDEL. The figure is 30,500 and 33,692.

The CHAIRMAN. The sum of those is the imports?

Mr. WENDEL. That is the imports; yes.

The CHAIRMAN. The 64,195 that is represented there?

Mr. WENDEL. Yes.

The CHAIRMAN. There is no 15 months' figure that would jibe with that?

Mr. WENDEL. That is right.

The CHAIRMAN. Are these allocations all made by someone other than our Government?

Mr. WENDEL. No. Our Government sits as a full member of the committee.

The CHAIRMAN. Who is that committee?

Mr. WENDEL. The Combined Tin Committee, which consits of the producing countries and the chief consuming countries.

The CHAIRMAN. You have Austria down here. Is it figured she would pay for that with her own exchange?

Mr. WENDEL. That is right.

The CHAIRMAN. And you have Belgium down for quite an item. Is that in the same category?

Mr. WENDEL. She imports tin from her own mines in the Belgian Congo and reexports to other countries in Europe something like 8,000 tons of it and consumes about 3,000 tons herself.

The CHAIRMAN. That is all paid for on her own hook rather than by us?

Mr. WENDEL. That is right.

The CHAIRMAN. And Denmark pays for hers, and France likewise pays for her own or else she gets it from her colonies?

Mr. WENDEL. She would probably pay with European exchange, I believe.

The CHAIRMAN. For Greece there is none.

Mr. WENDEL. There is no proposed ECA payment for any country on tin.

The CHAIRMAN. There is no ECA operation there in tin?

Mr. WENDEL. No, sir.

LEAD

The CHAIRMAN. We will go to lead. Is there any ECA operation in lead?

Mr. WENDEL. Yes.

U. S. STOCKS, NEW SUPPLY, AND APPARENT CONSUMPTION OF LEAD

The CHAIRMAN. We will put the sheet relating to lead in the record.

(The matter above referred to is as follows:)

United States stocks, new supply, and apparent consumption of lead (primary and secondary) 1937, 1938, 1939, and 1947

[Short tons]

	1937	1938	1939	1947
Stocks, Jan. 1	246,311	208,803	209,956	218,749
Smelter only, all forms	246,311	208,803	209,956	182,625
Government				36,124
New supply	780,798	658,527	742,362	1,060,223
Primary:				
Domestic (mine production)	464,892	369,726	413,979	375,267
Imports	40,806	63,901	86,883	211,853
Secondary	275,100	224,900	241,500	473,103
Total availability	1,027,109	658,527	952,318	1,278,972
Exports	20,091	45,866	74,392	1,513
Stocks, Dec. 31	208,803	209,956	148,079	129,979
Smelter only, all forms	208,803	209,956	148,079	124,989
Government				4,990
Apparent consumption	798,215	611,508	729,847	[1] 1,147,480

[1] Includes whatever sales or transfers were made to the permanent stock pile.

The CHAIRMAN. This is in short tons, is it?

Mr. WENDEL. Yes, sir; that is in short tons.

The CHAIRMAN. That hardly jibes with these other figures, does it?

Mr. WENDEL. Those figures on supply include our secondary production.

The CHAIRMAN. I see. The total exports from the United States in 1947 you are figuring at about 1,513 tons?

Mr. WENDEL. Yes.

The CHAIRMAN. And of that, Belgium gets 31,100 on ECA?

Mr. WENDEL. On ECA but not from the United States.

The CHAIRMAN. Why is that financed by ECA?

Mr. WENDEL. Belgium is a smelter of lead ores and imports them from Mexico and some of the Western Hemisphere countries.

The CHAIRMAN. And we provide the funds for that operation?

Mr. WENDEL. We provide the funds.

The CHAIRMAN. Is it a credit proposition, or what is it?

Mr. NITZE. I think that ought to come in the testimony of the Treasury Department on the whole proposition.

The CHAIRMAN. I see. Lead also goes to Denmark out of ECA. I wonder why that is being financed in that way.

Mr. WENDEL. She produces no lead of her own, and the world supply situation is such that some European countries must get their supplies from the Western Hemisphere, Australia, and so forth.

The CHAIRMAN. Here is France, which is kind of a peculiar proposition. You have France down for 227,000 tons financed by ECA and total imports of 75,000.

Mr. WENDEL. Part of her imports come from her own colonies.

The CHAIRMAN. And you have domestic production 10,000, making 85,000 available. That sounds kind of funny.

Mr. NITZE. There is a misplaced decimal point. That ought to be 22.7, and the same thing is true of zinc, which ought to be 38.3.

The CHAIRMAN. In Greece, there is a small importation, and a little more financed by ECA than imported.

Mr. WENDEL. That may only be a short-time requirement, because the Greek lead mines may resume in a year or so.

The CHAIRMAN. Ireland seems to have an ECA financed import. We should get from the Treasury why that is?

Mr. NITZE. Yes, sir.

The CHAIRMAN. And Italy the same way. Do they need that amount? They seem to be producing considerable but are not producing anywhere near as much as prewar.

Mr. WENDEL. That is right.

The CHAIRMAN. Why is that?

Mr. WENDEL. Their mines were damaged during the war. They are being rehabilitated, however, and in a couple of years should be back to normal production.

The CHAIRMAN. The Netherlands we are financing to the tune of 9,500 tons.

Mr. WENDEL. That is right.

The CHAIRMAN. There seems to be no financing for Norway, none for Portugal, none in Sweden.

For the United Kingdom, there seems to be a big item of financing—43,000 tons against imports of more than they have been set up to be. Has there been an allocation there?

Mr. WENDEL. No; it is not allocated. It reflects their growing needs for housing, plumbing, and those things, and in industry generally. The 43,000 tons, I think, are largely from Canada and Mexico.

The CHAIRMAN. Western Germany you have set up to have more than they had prewar. Maybe that is all right. We will have to go into that with the German group.

Zinc

UNITED STATES STOCKS, NEW SUPPLY AND APPARENT CONSUMPTION OF ZINC

The next is zinc, and you might put in the table on zinc.

(The matter above referred to is as follows:)

United States stocks, new supply, and apparent consumption of zinc (primary and secondary) 1937, 1938, 1939, and 1947

[Short tons]

	1937	1938	1939	1947
Stocks, Jan. 1	56,126	81,113	159,426	677,700
Smelter, metal only	56,126	81,113	159,426	18,100
Ores at smelter	(1)	(1)	(1)	195,300
RFC ore and metal				464,300
New supplies	723,936	574,129	701,295	1,049,914
Primary:				
Domestic mine	626,362	516,703	583,807	624,809
Imports	46,020	25,813	67,060	369,005
Secondary (slab)	51,554	31,613	50,428	56,100
Total available supplies	780,062	655,242	870,621	1,727,614
Exports	563	135	4,818	106,637
Stocks, Dec. 31	81,113	159,426	86,283	385,181
Smelter, metal only	81,113	159,426	86,283	43,189
Ores at smelters	(1)	(1)	(1)	248,102
RFC ores and metal				93,890
Apparent consumption	698,386	495,681	769,620	[2] 1,235,796

[1] Not available.
[2] Includes deliveries to and quantities in the premanent stock pile.

The Chairman. You have quite a large percentage of United States production and imports exported in 1947 and perhaps in 1948–49.

Mr. Wendell. The United States exports were minor They will be all from imported ores and concentrates smelted here with the purpose of exporting, and they will not interfere with our domestic requirements at all. The European countries import from the Western Hemisphere a large amount of their metal in the form of concentrates, which is the cheapest way to obtain it. They do also import considerable amounts of metal.

The Chairman. Belgium is still below prewar, but in considerable part financed by ECA.

Denmark is a small item.

France is quite a large item, practically the same as prewar availability.

Italy is not very big, as far as imports go. Those people used to export considerable zinc?

Mr. Wendell. That is right. They export some of their concentrates to other countries, and they are required to import special kinds of metal.

The Chairman. Great Britain seems to have as much available as prewar—perhaps they need it—largely financed by us. Do not they have considerable production in their own colonies?

Mr. Wendel. That is true. Australia supplies them with a considerable amount of their imports, and they get some from Canada.

The Chairman. Germany used to have production enough to take care of herself, and now you have her down for a big item. I wonder why.

Mr. WENDEL. She used to import a lot of concentrates from other countries, too.

ALUMINUM

UNITED STATES STOCKS NEW SUPPLY AND APPARENT CONSUMPTION OF ALUMINUM

The CHAIRMAN. The next is aluminum, and we will put that sheet in the record.

(The matter above referred to is as follows:)

United States stocks, new supply, and apparent consumption of aluminum (primary and secondary) 1937–39 and 1947

[In short tons]

	1937–39	1947
Stocks, Jan. 1	(1)	42,000
Industry	(1)	(2)
Government		42,000
New supplies	164,700	917,330
Domestic smelter production	151,100	571,750
Imports	13,600	15,580
Secondary	(1 3)	330,000
Total availabilities	164,700	959,330
Exports	11,700	12,000
Stocks, Dec. 31	(1)	18,500
Industry	(1)	(2)
Government		18,500
Apparent consumption	3 153,000	928,830

1 Not available.
2 Negligible.
3 Secondary data not available for 1937–39.

The CHAIRMAN. What can you tell us about aluminum?

Mr. WENDEL. I think there is only one significant item in the tables, and that is the import of aluminum from Canada to the United Kingdom. The rest is largely internal trade in Europe.

The CHAIRMAN. The big item there is export into the United Kingdom?

Mr. WENDEL. That is right—from Canda.

The CHAIRMAN. None from Germany to speak of?

Mr. WENDEL. I think there is some from Germany. I also think the German plants will start to produce their own aluminum.

The CHAIRMAN. They are starting but are not going?

Mr. WENDEL. That is right.

The CHAIRMAN. They did produce all they used before. Why do they need so much aluminum? They are not making so many airplanes.

Mr. WENDEL. Aluminum takes the place of copper in wire, for cooking utensils, and so forth.

STATEMENT OF RENE LUTZ, COMMODITIES DIVISION, OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE

The CHAIRMAN. We will take up next the item for yarns, woolens, and worsteds. Do you have any table to give us?

Mr. LUTZ. No, sir; I have not.

The CHAIRMAN. There are no exports from the United States on those?

Mr. LUTZ. There is nothing programed on wool yarns.

The CHAIRMAN. Or woolens or worsteds?

Mr. LUTZ. No, sir.

The CHAIRMAN. There seems to be a little on woolens and worsteds. Is there any of it financed by ECA?

Mr. LUTZ. No, sir; there is not.

Mr. NITZE. This was gone into in detail because it is an important export item from these countries but not an important import item.

Mr. LUTZ. It is important for the United Kingdom particularly and for France to some extent. However, we do a little exporting of wool yarns and fabrics.

The CHAIRMAN. Then this is not an item, from the standpoint of what we supply, that we need to go into very much.

Unless there are some questions on that, I won't go into that.

What about cotton? We seem to have a cotton-cloth item in here that is considerable. Do you have any data on that? Does that cotton cloth come from the United States or does it come from some other place?

Mr. LUTZ. The amount shown under ECA shipments financed will come from the United States.

The CHAIRMAN. That will be in this table on page 5?

Mr. LUTZ. Yes, sir.

The CHAIRMAN. There seems to be an item set up for cotton yarn from the western hemisphere of $4,300,000, of which $2,700,000 is in the picture we are considering, and there is cotton cloth involving $72,000,000 in here.

Mr. LUTZ. Yes, sir.

The CHAIRMAN. Where does that go?

Mr. LUTZ. The cotton yarn goes to Ireland, Norway, and Sweden.

The CHAIRMAN. Under ECA?

Mr. LUTZ. Yes, sir.

The CHAIRMAN. Why would it be going to those places?

Mr. LUTZ. Those countries normally import a large percentage of their cotton-yarn requirements.

The CHAIRMAN. Well, you have 2,356 tons going to France.

Mr. LUTZ. No; that is fabrics.

The CHAIRMAN. Well, that is cotton cloth.

Mr. LUTZ. Yes, sir.

The CHAIRMAN. And you have 381 tons going to Ireland.

Mr. LUTZ. Yes, sir. I believe Ireland, Norway, and Sweden are the three countries involved in the yarn program. Those countries normally get their supplies from the United Kingdom, and this is because of the inability of the United Kingdom to supply those markets.

The CHAIRMAN. Are not they able to supply their textile mills?

Mr. LUTZ. Well, they have not the spindle capacity or the yarn-production capacity sufficient to take care of that amount; that is, these three countries normally have a greater loom capacity than yarn-making capacity.

Mr. WIGGLESWORTH. You are building Ireland away up above prewar, are you not, both on cotton yarn and cotton cloth?

Mr. LUTZ. That is true. They opened up a spinning plant there, but still their domestic industry is not able to supply the needs of the weaving mills.

The CHAIRMAN. They are still importing both the cloth and the yarn?

Mr. LUTZ. Yes, sir.

The CHAIRMAN. I wonder just the reason for so much of the financing, all of it from the United States.

For the Netherlands, you have an importation of cotton cloth. They did not used to import much cotton cloth.

Mr. LUTZ. That cotton cloth is intended for the Netherlands East Indies. That first column includes shipments to the colonies, whereas the following sets of columns cover only the domestic picture; so that tonnage is meant for the Netherlands East Indies, which normally got their supplies chiefly from Japan. With Japan pretty much out of the picture, they must look elsewhere for their supplies.

The CHAIRMAN. The yarn business in Norway and Sweden is not a big item.

Mr. LUTZ. No, sir; very small.

The CHAIRMAN. Your big item is Ireland and the United Kingdom. There does not seem to be a big lot other than that.

Mr. LUTZ. That is true, sir.

WOOD PULP

The CHAIRMAN. The next is wood pulp. Is there any sending of wood pulp by ECA?

Mr. NITZE. No, sir.

The CHAIRMAN. Nowhere?

Mr. NITZE. No, sir.

The CHAIRMAN. How about newsprint?

Mr. NITZE. There is.

The CHAIRMAN. There is some there to Ireland. Why would they be getting it from us?

Mr. HAWK. We have no specialist here on any of the forest commodities.

EDNESDAY, MAY 5, 1948.

RUBBER

STATEMENT OF S. E. OVERLEY, CHIEF RUBBER SECTION, COMMODITIES DIVISION, OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE

The CHAIRMAN. I believe the first item we take up this morning is rubber. How much rubber is in this ECA financing?

Mr. OVERLEY. Six thousand and a fraction tons.

The CHAIRMAN. And what is it?

Mr. OVERLEY. Synthetic rubber.

The CHAIRMAN. That means it is part of our production?

Mr. OVERLEY. That is right. This 6,000 tons I am referring to is the amount coming from the United States. We do not anticipate reexporting any natural rubber.

The CHAIRMAN. What is your position, Mr. Overley?

Mr. OVERLEY. I am Chief of the Rubber Section of the Commodities Division, Office of International Trade.

UNITED STATES PRODUCTION, IMPORTS, SUPPLY, EXPORTS, AND STOCKS OF RUBBER

I have some figures here of United States production, imports, supply, exports, and stocks of rubber.

The CHAIRMAN. You may put that into the record.

(The matter referred to is as follows:)

United States production, imports, supply, exports and stocks of rubber

[In metric tons]

SYNTHETIC RUBBERS

Year	United States production	Imports	Supply	United States consumption	United States exports	United States stocks	ERP	Break down of United States exports					Total	Percent of production	Percent of supply
								Percent of production	Percent of supply	Non-participation	Percent of production	Percent of supply			
1939	2,286	----------	2,286	(1)	(1)	(1)	(1)	----------	----------	(1)	----------	----------	(1)	----------	----------
1947	516,870	1,111	517,981	568,621	11,775	63,364	8,649	1.67	1.68	3,126	0.81	0.60	11,775	2.28	2.28
Apr. 1, 1948, to June 30, 1949	530,000	----------	530,000	500,000	8,300	86,000	8,300	1.18	1.18	2,000	.38	.38	8,300	1.57	1.57

NATURAL RUBBER

Year	United States production	Imports	Supply	United States consumption	United States exports	United States stocks	ERP	Break down of United States exports					Total	Percent of production	Percent of supply
								Percent of production	Percent of supply	Non-participation	Percent of production	Percent of supply			
1937	None	610,114	610,114	552,298	8,075	266,395	746	----------	0.12	7,329	----------	1.20	8,075	----------	1.32
1938	None	418,706	418,706	445,008	5,742	235,203	967	----------	.23	4,775	----------	1.14	5,742	----------	1.37
1939	None	507,635	507,635	601,472	13,336	127,813	2,048	----------	.40	11,288	----------	2.22	13,336	----------	2.63
1947	None	722,933	722,933	571,664	4,188	132,209	49	----------	(2)	4,139	----------	.57	4,188	----------	.58
Apr. 1, 1948, to June 30, 1949	None	750,000	750,000	730,000	2,500	----------	(2)	----------	(2)	2,500	----------	.33	2,500	----------	.33

[1] Not available. [2] Negligible.

United States stocks: 1947—Some Government-owned stock; 1948—Calculation impossible due to Government purchase for strategic stocks.

The CHAIRMAN. This shows it is proposed to send 4,500 tons.

Mr. OVERLEY. 4,500 tons to France and 1,500 to Italy.

The CHAIRMAN. Those are the entire shipments?

Mr. OVERLEY. To be financed; yes, sir.

The CHAIRMAN. That is the entire block of United States exports?

Mr. OVERLEY. Yes, sir.

The CHAIRMAN. That gives France a good deal more rubber than she had prewar, and they had more in 1946 and 1947 than they had prewar.

Mr. OVERLEY. You will recall that prewar we had no synthetic-rubber industry in this country.

The CHAIRMAN. I know; but there is more rubber.

Mr. OVERLEY. You mean across the board?

The CHAIRMAN. Yes; across the board.

Mr. OVERLEY. That is quite true.

The CHAIRMAN. Why would that be?

Mr. OVERLEY. They are expanding their industry to take care of the backlog, just the same as we have in this country. Prewar, for example in 1941, we consumed 781,000, and last year we consumed 1,123,000. The rubber industry throughout the world has increased, and we feel it is rather a sustained increase.

The CHAIRMAN. These figures in the column headed "U. S. cons."—does that mean United States consumption?

Mr. OVERLEY. That is right. The first column is the United States production.

The CHAIRMAN. The consumption figure does not seem to have increased from prewar in the United States, although the imports and supply do. I am looking at natural rubber.

Mr. OVERLEY. Natural rubber has been in short supply.

The CHAIRMAN. Of course, there was no substantial synthetic production prewar.

Mr. OVERLEY. No.

The CHAIRMAN. Your increase is all in your synthetic rubber.

Mr. OVERLEY. That is right; because natural rubber has not been in free enough supply, the synthetic is supplementing that.

The CHAIRMAN. I do not understand this table. For instance, the stocks of natural rubber go up only 5,000 tons while the difference between the imports and the consumption is 151,000 tons. I do not understand why the stocks should not go up, too.

Mr. OVERLEY. You remember from 1941 until March 31 of 1947, the Government was the exclusive buyer of natural rubber in the United States, and during the middle part of 1947 the civilian deficiency was set up and the balance of the stocks were passed to the strategic stockpile.

The CHAIRMAN. Would not they be included in the United States stocks?

Mr. OVERLEY. No. The Army and Navy Munitions Board hold those figures as secret figures; so this does not include them.

The CHAIRMAN. This is the commercial stock?

Mr. OVERLEY. Well, there is a small amount of Government stock that was still classified as civilian deficiency in this 132,000. I might say as of the end of March the figure was substantially 130,000 with no Government stocks whatever. The balance of the stocks that

belonged to the Government were also passed to the strategic stock pile.

The CHAIRMAN. Unless there are some further questions on rubber, I think we will go to the next one.

HIDES, SKINS, AND LEATHER

STATEMENT OF J. G. SCHNITZER, COMMODITIES DIVISION, OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE

The CHAIRMAN. I do not find any table on this.

Mr. NITZE. It is at page 191 of the brown commodity book.

The CHAIRMAN. Do you have a table to present to us?

Mr. SCHNITZER. No, sir.

The CHAIRMAN. How much is involved here?

Mr. SCHNITZER. For the period April 1, 1948, to March 31, 1949, it is $89,100,000.

The CHAIRMAN. $89,100,000 in that year period?

Mr. SCHNITZER. That is right.

The CHAIRMAN. Where does it go?

Mr. SCHNITZER. The principal countries in order would be Switzerland, Netherlands——

The CHAIRMAN. There is no ECA money on Switzerland, is there?

Mr. NITZE. No ECA money. I think what you are referring to is the total exports.

Mr. SCHNITZER. Yes.

The CHAIRMAN. Total exports from the United States; is that what it is?

Mr. SCHNITZER. Yes, sir.

The CHAIRMAN. Would be $89,000,000?

Mr. SCHNITZER. No; the ECA financed portion is $89,000,000. The total exports from the western hemisphere are much larger than that—of the order of $164,000,000—and the total exports from the Western Hemisphere during the 15 months period——

Mr. STEFAN. Are $89,000,000 plus, but Switzerland does not get any of the $89,000,000?

Mr. SCHNITZER. That is correct.

The CHAIRMAN. In column 10, on page 191, you have a total of 353 million. Where is the figure that jibes with the 150 million, or whatever it is? Is there any figure in this table that jibes with that?

Mr. SCHNITZER. No, sir; there is not any on that table.

Mr. NITZE. The sum total of the 18 million from the United States, 5 million from Canada, 108 million from other Western Hemisphere, plus similar figures for the 3 months April, May, and June, on page 191 would total the $164,000,000 which is in the book.

The CHAIRMAN. The leather imports, I guess, are holding up to better than prewar in quantity?

Mr. SCHNITZER. The leather supply is above prewar.

The CHAIRMAN. And the imports are rather down?

Mr. SCHNITZER. That is right.

The CHAIRMAN. The production is above?

Mr. SCHNITZER. Yes, sir.

The CHAIRMAN. What is the effect on that situation going to be of the large decline in our cattle population?

Mr. SCHNITZER. The domestic production this year will be between 10 and 12 percent below that of a year ago. That will be due largely not to the decline in cattle but mainly to the packers' strike which has halted operations.

The CHAIRMAN. That, of course, is not going to be reflected this year, because as long as your cattle population does not diminish, your stock of leather will hold up; but the effect next year is apt to be quite marked.

Mr. SCHNITZER. The livestock numbers, while they are declining from the peak reached in 1947, are still above the prewar numbers. So our domestic production of hides should be maintained at a rate above prewar.

The CHAIRMAN. Yes; but that was only about two-thirds of what the 1947 production was.

Mr. SCHNITZER. The 1947 production was a record production. It is the highest we have ever produced domestically of hides.

The CHAIRMAN. And you might have held up to that this year if it had not been for the strike?

Mr. SCHNITZER. That is right; but with the strike, it will be somewhat lower.

Mr. STEFAN. You give the strike credit for cutting down 12 percent of the production?

Mr. SCHNITZER. The strike and other factors, but principally the strike. According to the latest Department of Commerce estimate, it will be, for the entire year, about 12 percent below the record year of 1947.

The CHAIRMAN. Your exports from the United States are running away above the prewar figure. They are running into quite a substantial figure.

Mr. SCHNITZER. On finished leather, yes, sir; but on hides and skins, they are just slightly above.

The CHAIRMAN. Of course, the two go in together.

Mr. SCHNITZER. They are correlated.

The CHAIRMAN. And you have pretty nearly to add the two together.

Mr. SCHNITZER. Yes—to come to the figure.

The CHAIRMAN. And there is quite a substantial increase.

What about the rest of the world and their leather supply? Our imports are quite considerably down.

Mr. SCHNITZER. That is right.

The CHAIRMAN. Hides are away down below prewar, and leather is not up much in volume.

Mr. SCHNITZER. The situation in most European countries is still so acute that it is necessary to ration the end commodities, such as shoes and luggage, and practically all of the European countries that are in this program still have rationing restrictions.

The CHAIRMAN. Is there much leather that comes from Africa?

Mr. SCHNITZER. No, sir. We get some skins from Africa, particularly goat and kid skins. The Orient supplies about 55 percent of the total goat and kid skins, and in that variety we have to import 99 percent.

The CHAIRMAN. By the Orient, you mean China and Japan?

Mr. SCHNITZER. India, particularly. That is the largest source of supply for goatskins.

Mr. STEFAN. What is becoming of all the hides from the killing program in Mexico—not of the hoof and mouth disease animals but of the meat animals? They are producing about 100 million pounds of tinned meat there, and what becomes of those skins?

Mr. SCHNITZER. Those hides that come from animals that were slaughtered are being saved, and a very important proportion of them are being used in Mexico. They have export controls on hides, and it is necessary to get a permit, because their tanning industry has increased to take care of that. A very large proportion of the animals that were killed were buried and burned.

Mr. STEFAN. I am not talking about those animals they have slaughtered and buried and burned; I am talking of the 100 million pounds of meat that we are contracting for. What becomes of the hides from those animals?

Mr. SCHNITZER. Those hides are now being retained by Mexico, and on March 15 the March stock was 212,000 hides from the stocks you are talking about.

Mr. STEFAN. We are getting some of them?

Mr. SCHNITZER. We are getting some of them.

Mr. STEFAN. But they have export controls?

Mr. SCHNITZER. They have export controls, and it is necessary to get a permit and necessary to convince the Government that the requirements of the domestic tanners have been satisfied before they will give a permit to export.

Mr. STEFAN. How many of those hides are we getting in the United States?

Mr. SCHNITZER. We are getting the most of those that are exported, and the quantity exported so far only averages about 1,500 a month.

Mr. STEFAN. We are getting those?

Mr. SCHNITZER. Yes, sir; the most of them—about 90 percent of the total.

The CHAIRMAN. You have quite a considerable exportation here. How much of that is ECA financed?

Mr. SCHNITZER. Of the total exports?

The CHAIRMAN. Yes.

Mr. SCHNITZER. Do you mean financed or going to those countries?

The CHAIRMAN. Financed.

Mr. SCHNITZER. The portion of our total exports that will be financed by ECA would be, I would say, between 35 and 45 percent.

The CHAIRMAN. You mean of the exports to participating countries, 35 to 45 percent would be financed by ECA?

Mr. SCHNITZER. I am sorry. I meant to all countires would be financed. The percentage to ECA countries, in my opinion, would be higher.

Mr. NITZE. I can give you the figure. The dollar value of United States hides and skins which will be financed will be 7.8 million from the United States, and from the other Western Hemisphere countries it would be 81.3, which gives the total of 89.1 million which is in the justification.

The CHAIRMAN. That means that practically all that goes to participating countries is financed by us.

Mr. NITZE. No; I believe it is less than one-half of United States exports to those countries. The total exports to those countries from the United States during the fiscal year 1948–49 are estimated at 18 million dollars; so the 7.8 million dollars would be about 40 percent.

The CHAIRMAN. And where does it go?

Mr. SCHNITZER. In the past year, the most of those exports have gone to the United Kingdom, France, Germany, Switzerland, Italy, Norway, Sweden, and Denmark.

Mr. STEFAN. Mr. Chairman, I do not think you have the correct answer from what Mr. Nitze gave you. The first 12 months of those skins, hides, and leather would be $89,100,000, but the 15 months would be $112,400,000, ECA. That would not be one-half, because the total from the Western Hemisphere is $164,500,000 worth.

How do you justify those figures? In answer to the question propounded by Mr. Taber, you said it would be less than half that we pay for, and this says we will pay for $112,400,000, ECA obligations.

Mr. NITZE. I was referring to exports from the United States.

Mr. STEFAN. Oh, from the Western Hemisphere. I see. But we will still pay $112,400,000 for the first 15 months of ECA obligations on leather, hides, and skins?

Mr. NITZE. That is correct.

Mr. STEFAN. So it is more than 50 percent of the total.

Mr. NITZE. I believe not of the exports from the United States.

Mr. STEFAN. Is that what you wanted, or did you want the total we are paying?

The CHAIRMAN. Surely.

Mr. STEFAN. You want the total we are obligated for?

The CHAIRMAN. I want the total we are financing.

Mr. STEFAN. That is $112,400,000 for 15 months and $89,100,000 for 12 months.

Mr. NITZE. That is the figure I gave.

The CHAIRMAN. This part that is financed by ECA goes to whom? Can you give us a break-down of the countries?

Mr. NITZE. Yes, sir; we can supply that for the record.

(The matter above referred to is as follows:)

Hides, skins, and leather: ECA obligations, by country

[In millions of dollars]

	Apr. 1, 1948 to June 30, 1949 (15 months)	Apr. 1, 1948 to Mar. 31, 1949 (12 months)
Austria	1.3	1.0
Belgium, Luxembourg, and Belgian dependencies	3.7	2.8
France	18.9	15.5
Greece	1.0	.7
Ireland	2.1	1.6
Italy	18.2	14.8
Norway	2.3	1.7
Netherlands and dependencies	3.7	3.1
Sweden	9.9	8.0
United Kingdom and dependencies	36.0	28.0
Bizonal Germany	11.5	9.0
French zone of Germany	3.8	2.9
Total	112.4	89.1

The CHAIRMAN. Are there any questions on hides and leather?

Mr. STEFAN. Does that also go through Commerce under licensing control?

Mr. NITZE. The exports from the United States do.

Mr. CASE. Is there any plan for salvaging the hides in connection with the purchase of horse meat?

Mr. SCHNITZER. All those hides are normally salvaged, because they are valuable. There would be too much of a loss if they were not salvaged.

Mr. CASE. Are you proposing to buy live horses and slaughter them for meat and hides, or do you propose to go out and buy hides, skins, and leather as such, apart from any salvage?

Mr. SCHNITZER. As far as this program is concerned, it would be related to the purchase of hides and skins as such and not to live animals for the salvage of those hides and skins. In other words, this covers only hides and skins that would be purchased as such.

Mr. STEFAN. Whatever meat is shipped is going to be horse meat?

Mr. SCHNITZER. Those hides would be salvaged.

Mr. STEFAN. You already have those in this program?

Mr. SCHNITZER. That is right—in another part. The hides are always salvaged from those animals at the slaughtering plants.

Mr. CASE. That sort of contradicts what you just said. I thought you said they were going to purchase hides, skins, and leather as such.

Mr. SCHNITZER. That is right. I mean they are under a separate program, and they are not confined to horses, but any animals slaughtered are included in here. They are included as a separate item and not duplicated. In other words, they are not buying livestock as such as part of this program. When meat is called for, it will be supplied as meat, and when hides are bought, they will be supplied as hides. They won't buy the animals and say "This part will be meat under this program and this part hides."

Does that clarify it or make it worse?

Mr. CASE. I just wanted to be sure that, if you buy live animals for slaughter for horse meat, the hides involved in slaughtering those animals would count against the hides you are purchasing here.

Mr. SCHNITZER. If they are included in the program, they would. In other words, hides not retained by the domestic tanners, if included in this program, would be counted against the funds set up there.

The CHAIRMAN. I believe that is all on hides, skins, and leather.

CHEMICALS

STATEMENTS OF L. N. MARKWOOD, CHEMICALS AND HEALTH PRODUCTS BRANCH, OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE; AND HARLOW BRAMBLE, INTERNATIONAL RESOURCES DIVISION, DEPARTMENT OF STATE

Mr. WIGGLESWORTH. The next is chemicals.

Do you have a general statement to make in advance?

GENERAL STATEMENT

Mr. MARKWOOD. Referring to this table you have, the chemical exports to participating countries are shown at $230,000,000 for the

15 months period. That compares with $261,000,000 of actual exports in 1947. The prewar figure is much less.

It is interesting to note that those figures on exports I gave you correspond closely with the import figures. The United States imports relatively little of chemicals. I might say that chemicals is a very broad group. It covers literally thousands of different items.

We have in our schedule of exports 264 separate classes of chemicals, and some of those classes are what we call "basket classifications," containing up to hundreds of different items. So it is a very broad. field. It covers medicinals, industrial chemicals, coal tar chemicals, insecticides, paints, varnishes, lacquers, pigments, toilet preparations, and so forth.

I just wanted to give you the general scope.

CONTEMPLATED PRODUCTION OF CHEMICALS, 1948–49

Mr. WIGGLESWORTH. You contemplate a production of almost 3½ times in 1948–49 what it was prewar.

Mr. MARKWOOD. Yes, sir; $8,474,000,000 is the production estimated for the 15-month period.

Mr. WIGGLESWORTH. Is that figure likely to be somewhere near right? It is about 3¼ times what it was prewar, and it is up from $7,179,000,000 in 1947.

Mr. MARKWOOD. That is for the calendar year.

Mr. WIGGLESWORTH. I say is the figure likely to be somewhere near right?

Mr. MARKWOOD. Yes, sir.

Mr. WIGGLESWORTH. You think it is?

Mr. MARKWOOD. Yes, sir.

ESTIMATED EXPORTS IN RELATION TO SUPPLY

Mr. WIGGLESWORTH. Now, you expect to export out of that total $825,000,000, or 9.4 percent of the total estimated supply?

Mr. MARKWOOD. That is about right; yes, sir.

Mr. WIGGLESWORTH. The estimated over-all export is somewhat larger in fiscal 1947, but percentagewise, if your estimated production proves to be right, it will be somewhat less?

Mr. MARKWOOD. Yes, sir; the figure of exports to participating countries is figured at 2.7 percent of the domestic production.

Mr. WIGGLESWORTH. But your over-all exports are 9.4 percent, are they not, compared with 10.8 in fiscal 1947?

Mr. MARKWOOD. Yes.

Mr. WIGGLESWORTH. And 5.3 percent prewar?

Mr. MARKWOOD. That is right. The reason the United States is called upon to engage in chemical exports at this peciod in a substantial way is that before the war Germany was a very large producer of chemicals; in fact, it was the key country. Frankfurt, Germany, was known as the chemical capital of the world. That has pretty much lost out at the present time. Germany is a long way from being back to a normal supply position, and the United States has to take its place as the principal chemicals producer of the world. There is hardly any other source that can be depended on for a great number of the chemicals required in industry and for consumer purposes.

Mr. STEFAN. Have you consulted with the stock-piling people, so far as the export of these chemicals is concerned, as to our supply?

Mr. MARKWOOD. Well, sir, there is not much stock piling. You are speaking of the Government's stock-piling program in the chemical field. I can mention one rather minor one. That is the stock piling of pyrethrum, an insecticide material, which was the base of the bug bombs used so effectively during the war. That is being stock-piled. That is entirely an imported commodity—pyrethrum—from east Africa.

Mr. STEFAN. Certainly you consulted those people before you let out any of this stuff of which we might be in short supply?

Mr. MARKWOOD. I have served as assistant to the Munitions Board's subcommittee on the pyrethrum stock-piling matter.

Mr. STEANN. I mean generally throughout this entire program.

Mr. MARKWOOD. We have a representative from the branch I represent.

Mr. STEFAN. Before a license is issued, they certainly give you a green light on anything they need for themselves, do they not?

Mr. MARKWOOD. Yes, sir. However, in the case of pyrethrum, there is plenty of it. We do not have any reason to hold back on it.

Mr. STEFAN. That is not what I am talking about; I am talking about things in short supply. You said there were thousands of chemicals here that we are dealing with. We are dealing with a program of $301,700,000 of chemicals going out of the Western Hemisphere in the first 15 months, and I am simply asking the question whether the stock-piling organization passes on it before some of this stuff goes out that is in short supply.

Mr. MARKWOOD. Yes. For all short supply items, there are quotas set up beyond which no licenses are issued.

Mr. WIGGLESWORTH. In this over-all table, as I read it, you are planning to ship $230,000,000 worth of chemicals to the participating countries, are you not?

Mr. MARKWOOD. Yes, sir; in 15 months.

Mr. WIGGLESWORTH. How do you reconcile that with table D–4 in the justifications where chemicals for that same period seem to be $211,800,000?

Mr. MARKWOOD. I do not recognize that figure. Mr. Nitze will probably have the answer on that.

Mr. WIGGLESWORTH. Well, those are the justifications from which we have to work.

Mr. NITZE. You mean that $301,000,000?

Mr. WIGGLESWORTH. The over-all availability table here seems to indicate for the 15 months period, April 1948 to June 1949, the exports to the 16 participating countries are $230,000,000. I was trying to reconcile that with the figures appearing in table D–4 of the justifications.

Mr. NITZE. The figures in D–4 include the total Western Hemisphere, and there are some exports from Canada which are included, which cause the difficulty, I am sure.

You will find on pages 192 and 193 of the commodity volume the sheets on chemicals, and they show the total anticipated exports from the United States of $184,000,000 during the fiscal year 1948–49 and

$45,000,000 during the quarter April-June 1948, and the total of those is included, of course, in the $301,000,000 for 15 months, and in addition are included exports from Canada of $67,000,000, which brings you to the total of $301,000,000.

QUESTION AS TO REQUESTS FOR CHEMICALS BY PARTICIPATING COUNTRIES

Mr. WIGGLESWORTH. How does the estimated contribution, in terms of the chemicals, compare with the initial requests of the participating countries?

Mr. MARKWOOD. The participating countries submitted no estimates of chemical requirements in their interconference committee actions.

Mr. WIGGLESWORTH. None at all?

Mr. MARKWOOD. No, sir.

Mr. NITZE. It is included because they had a miscellaneous classification, but they did not break out chemicals separately.

Mr. WIGGLESWORTH. Did they, in fact, request assistance in terms of chemicals within that miscellaneous category?

Mr. NITZE. They requested assistance with respect to the entire miscellaneous category, which did include chemicals, although they were not separately broken out.

Mr. WIGGLESWORTH. But you do not know to what extent?

Mr. BRAMBLE. We received, subsequent to the meetings in Paris, some telegrams and requests from participating European countries setting forth their requirements for some of their chemicals. It was not possible, of course, to detail their requirements for each one of all of this great number of chemicals that they have here, but we did receive a number of requirements for specific chemicals which were worked into these figures as we went along.

BASIS FOR ESTIMATES OF REQUIREMENTS AND NECESSITY FOR EXPORTS UNDER PROGRAM

Mr. WIGGLESWORTH. How did you determine it was essential under this program to ship $301,700,000 worth of chemicals from the Western Hemisphere to these 16 countries?

Mr. MARKWOOD. In developing this figure of $230,000,000, we went by the historical pattern of the imports into these various countries and the United States exports.

Mr. STEFAN. Prewar?

Mr. MARKWOOD. We went by the prewar and also the 1947 exports from this country. We used the prewar records of the countries as a basis.

Mr. WIGGLESWORTH. In the over-all table, D–4, in the justification, I understand that $301,700,000 worth of chemicals are to be shipped to the recipient countries, and of that amount ECA will take care of, in the first 12 months, $166,500,000.

Now if none of these countries requested any assistance, in terms of chemicals, except as it was included in a broad category of miscellaneous commodities, how did you arrive at the conclusion that aid, in terms of chemicals to the extent indicated, was necessary?

Mr. MARKWOOD. As was indicated, those figures were based on the historical chemical requirements, and import requirements; that is the

total chemical imports from all sources, as well as the chemical exports from the United States. In other words, having received no special requests from those countries but yet knowing that chemicals are a very vital part of the rehabilitation program, we had to resort to the historical survey to see what the requirements would be, and that is how we come out with the figure that is shown in the table you referred to.

Mr. WIGGLESWORTH. How did you determine that we should finance, out of ECA, to the extent of $166,500,000 with apparently no requests whatsoever?

Mr. NITZE. The first part of the total import requirements of the participating countries, both from the United States and from Canada and other Western Hemisphere countries was determined by the committee on which Mr. Markwood served, and subsequently the decision as to the illustrative portion that ECA would finance from the sources of supply was arrived at.

Mr. STEFAN. I think that is a very important question, Mr. Chairman, and I was just wondering how the shipments were determined if these people did not ask for anything and if they did not in effect make this request.

Mr. NITZE. They made a special request for a large amount of miscellaneous commodities.

Mr. STEFAN. But under chemicals they did not ask for any, and as I understand Mr. Markwood just said that they used the historical basis. Are you going to ship them something they do not want?

Mr. BRAMBLE. May I make a statement off the record, Mr. Chairman?

Mr. WIGGLESWORTH. Yes.

(Off record discussion.)

Mr. CASE. Is there any reason why the last statement you made about the request of France could not be in the record?

Mr. BRAMBLE. Concerning the various requirements?

Mr. CASE. What you have just said about the whole situation.

Mr. BRAMBLE. The values and the quantities involved.

Mr. CASE. But you did not give any quantities; you simply gave the over-all figures. I think it would be helpful for the record if we know how this thing was arrived at; I think that is what the chairman's question was directed to. You say you cannot put it in the record, but perhaps I can refer to what you gave us off the record. France submitted a request for some $44,000,000 worth of other chemicals; that does not involve either the quantity or the price. I do not see why that statement should not be in the record, since that was just the way it was listed, and in a determination of that you went back to the historical record to determine what you could ship them.

Mr. BRAMBLE. I might say, with reference to the statement off the record, that the participating governments, who transmitted these figures, asked that they be kept confidential; that is all.

Mr. CASE. Would it be confidential that they ask for $44,000,000 worth of other chemicals?

Mr. BRAMBLE. That fact alone I suppose would not be confidential, but I did not know just where to draw the line.

Mr. CASE. Is there any reason that the statement should be off the record that you were simply studying what you thought the amount should be from the historical information in determining the quantities?

Mr. BRAMBLE. No; that is already on the record.

Mr. CASE. And what the chemical supplies should be, and what might be supplied to each.

Mr. BRAMBLE. I think as much as I have said here can be put in the record.

Mr. MARKWOOD. May I say that in our accounting we show requirements of about $30,000,000 for France, based upon this historical pattern.

Mr. STEFAN. Is that in the category they did not specifically ask for or how did that come about?

Mr. MARKWOOD. That was developed wholly independent of that.

Mr. STEFAN. Independent, in the Department?

Mr. MARKWOOD. That is right.

Mr. NITZE. When they gave us this broad classification of requirements, which they merely specified as "Miscellaneous commodities," we felt that the committee would want to have as much detail as possible, and not just a great big item of miscellaneous commodities; that it would help the committee to break out from that "Miscellaneous commodities" item the information in as great detail as could be done concerning the components thereof.

It certainly is clear that France would require a certain amount of chemicals; she has consistently got chemicals from the United States, and the effort was to find out, as precisely as possible, what her reasonable minimum requirements would be. Telegrams were sent to France to get their views on the situation, and they came back with an estimated requirement of some $55,000,000, was it?

Mr. BRAMBLE. $53,000,000.

Mr. NITZE. $53,000,000. That was screened against their historical receipts of chemicals from the United States and in the last analysis it was cut down, the estimate that would come from us, to——

Mr. MARKWOOD. $30,000,000.

Mr. NITZE. $30,000,000 as the executive branch best judgment as to what the minimum requirements were.

Mr. CASE. Certainly their requests should be screened, about the historical demands out of the available supply, to get the facts concerning the requirements based on the requests you got from them, but from the evidence that has been submitted so far the amount proposed to be supplied has been in excess of the requirements of some of these commodities. And without some figures, such as we have tried to get, and Mr. Wigglesworth was trying to get by his inquiry, it would appear that when you say they did not ask for these amounts, that you are proposing to send them, then it would look as if you were proposing to send them something they had not requested, by simply determining that it ought to be rather than an amount that was based upon an estimate of the amount needed.

Mr. WIGGLESWORTH. On this chemical item, of contemplated shipments of $230,000,000 of chemicals to other countries, I wish you would indicate for the record the countries to which that total is going.

Mr. MARKWOOD. I have here a table, Mr. Chairman, which will show the break-down by countries.

BREAK-DOWN OF EXPORTS OF CHEMICALS TO ERP COUNTRIES AND THEIR DEPENDENTS

Mr. WIGGLESWORTH. Without objection we will include this table in the record at this point.

(The table referred to follows:)

Exports of chemicals to ERP countries and their dependencies

(Thousands of dollars)

	April 1948–June 1949	1947	Prewar [1]		April 1948–June 1949	1947	Prewar [1]
Austria	$12,500	$1,340	$149	Germany	--------	$616	$2,697
Belgium	18,700	24,681	3,513				
Denmark	1,900	1,432	326	Subtotal ERP countries	$224,500	212,890	42,444
France	30,000	35,673	6,453				
Greece	7,500	4,508	235				
Iceland	--------	411	12	Dependencies:			
Ireland	2,500	1,725	139	Belgian	--------	1,595	23
Italy	12,500	10,448	901	French	--------	2,711	383
Netherlands	12,500	16,770	2,986	Netherlands	6,200	9,093	3,351
Norway	3,700	5,366	774	Portuguese	--------	1,032	340
Portugal	3,700	4,952	308	United Kingdom	--------	33,883	5,207
Sweden	25,000	24,471	2,425				
Switzerland	25,000	17,837	580	Subtotal dependencies	6,200	48,314	9,304
Turkey	6,200	6,647	328				
United Kingdom	62,500	56,013	20,618	Total, ERP and dependencies	230,400	261,204	51,748

[1] Average 1937–39, except Austria (1937 only).

Mr. WIGGLESWORTH. This indicates the shipments from the United States.

Mr. MARKWOOD. Yes.

Mr. WIGGLESWORTH. To the participating countries, in terms of prewar, for fiscal year 1947, and for the 15 months' period April 1948 to June 1949.

Mr. MARKWOOD. Yes.

Mr. NITZE. If I may, I would like to point out one of the difficulties you might run into from this: You will note that the United Kingdom dependencies, for example, are down here for zero, while the imports were $33,883,000 in 1947.

It is quite clear that the United Kingdom and dependencies will use chemicals. This statement is because the chemicals from the United States, the shipments to the United Kingdom and dependencies are included in miscellaneous commodities.

Mr. MARKWOOD. That is correct; they are covered in the big basket merely.

Mr. WIGGLESWORTH. The biggest increase in percentage is for Austria.

Mr. MARKWOOD. Yes.

Mr. WIGGLESWORTH. Where you give a prewar figure of $149,000, and the 1947 figure of $1,340,000, which is increased to $12,500,000 for the period 1948–49.

Mr. MARKWOOD. That looks all out of proportion, but the thing to remember there is that in prewar Austria was entirely dependent or tied in with Germany as a supplier of chemicals. That has been completely wiped out, so that you can see in 1947 the shipments were appreciably more than prewar, and in view of the other program that Austria is to be set on her feet, she needs that much in the way of chemicals.

Mr. WIGGLESWORTH. There is a substantial increase in Denmark and Greece; also Ireland.

Mr. MARKWOOD. Greece again is a matter of considerable rehabilitation; they will take a lot of insecticides to restore sanitary conditions in the country.

Mr. WIGGLESWORTH. Switzerland shows a big increase. That is not ECA financed, however.

Mr. NITZE. No.

Mr. MARKWOOD. Switzerland also was taking very largely from German supplies, particularly with respect to coal tar chemicals.

FINANCING OF CANADIAN EXPORTS OF CHEMICALS

Mr. CASE. Mr. Chairman, when you were interrogating Mr. Markwood in the early part of the testimony, with reference to chemicals, you raised the question about the discrepancy between the figures involving $67,000,000 worth of exports contemplated for Canada.

Did you mean that that $67,000,000, worth of exports is to come out of some financing from sources other than ECA funds?

Mr. NITZE. No; it is contemplated that $54,000,000 of that might be financed by ECA.

Mr. CASE. In other words, a large part of the reconciliation between the two figures means that the United States would supply the dollars to pay for the Canadian exports?

Mr. NITZE. To pay for a portion of the Canadian exports. That relates to the balance of payment of Canada. She has lost a very substantial amount of gold and dollars during the course of the last year. There is a real problem in connection with financing exports from Canada to the participating countries.

PETROLEUM EQUIPMENT

STATEMENTS OF GILBERT M. SMITH, INDUSTRY DIVISION, OFFICE OF DOMESTIC COMMERCE; WILLIAM H. SHAW, SPECIAL ASSISTANT, OFFICE OF SECRETARY, DEPARTMENT OF COMMERCE; AND WALTER LEVY, CONSULTANT, DEPARTMENT OF STATE

Mr. WIGGLESWORTH. I note on table D–4 is indicated exports, over-all, from Western Hemisphere countries of $226,700,000 of petroleum equipment, of which $67,400,000 is to be financed by ECA in the first 12 months.

ESTIMATED DOMESTIC SUPPLY

The present over-all availability table you gave us would seem to indicate an estimated domestic supply, 1948–1949 of $14,101,000,000. Is that right?

Mr. SMITH. That is right.

Mr. WIGGLESWORTH. As compared with the $11,764,000,000, in 1947 and compared with $2,823,000,000 in prewar.

Mr. NITZE. That covers all machinery, not just petroleum equipment. It was impossible to break out the various categories of equipments separately.

Mr. WIGGLESWORTH. The table indicates this is for petroleum equipment, machinery, other. Is that right?

Mr. NITZE. I understand these figures apply not to petroleum equipment alone, but include other equipment that has been listed in the previous amounts.

Mr. WIGGLESWORTH. Which we have already covered?

Mr. NITZE. Yes.

Mr. WIGGLESWORTH. What figures have you for petroleum equipment?

Mr. SMITH. A total of 226.7 million dollars.

Mr. WIGGLESWORTH. What have you that will show the domestic supply estimated for 1948–49 as compared with the prewar and 1947, in estimating the overall exports, percentagewise or otherwise in this year?

Mr. SMITH. Due to the fact that petroleum equipment in most instances is also used in a lot of other industries and is not identifiable as such, therefore the report on exports and the total availability of equipment cannot be accurately broken down to show a very clear picture.

Mr. STEFAN. You mean as to other kinds of equipment.

Mr. SMITH. As to all types of equipment. For instance, tankage and machinery items, pumps, and things of that kind are also under that machinery item.

ESTIMATED PETROLEUM EQUIPMENT REQUIREMENTS OF PARTICIPATING COUNTRIES

Mr. STEFAN. You have a breakdown here of the requirements in your justification, of drilling, casing, engines, plant, automotive, electrical, manual, structural steel, chemical.

The justifications state that the estimated total petroleum equipment requirements of the participating countries, including the requirements of United States operating within the participating countries and their dependent overseas territories will amount during the fiscal year 1949 to about $685,000,000 and approximately $458,000,000 of these requirements can be provided from the production of the participating countries but that the net requirements for equipment from the United States will amount to $227,000,000. You stated first $226,000,000.

Mr. SMITH. 226.7 million dollars.

Mr. STEFAN. 226.7 million dollars, but you say here $227,000,000. Does the breakdown here agree with those enumerated in the equipment program?

Mr. SMITH. On that table?

Mr. STEFAN. Yes. It does not include tankage?

Mr. SMITH. It does not include tankage.

Mr. STEFAN. Is that about the kind of equipment that you are talking about?

Mr. SMITH. Yes; in that category of the equipment definitely identifiable in the petroleum industry.

However in some of these categories are a lot of machinery items that are also used by many other industries. There are only actually three categories that you can break out as specifically being petroleum equipment. Those are reported as petroleum equipment: Drilling equipment, on schedule B items; other equipment, including refining; pumps, gasoline and oil. We have a comparative table which shows those items identifiable in the same category as listed in this table which you have. However there are still others.

INCREASE IN COST OF PETROLEUM EQUIPMENT

Mr. CASE. Has there been much change in the price of petroleum equipment and the cost of machinery between prewar and today?

Mr. SMITH. Yes, there has been an increase in price.

Mr. CASE. So that when we compare these figures as to dollars covering prewar shipments and those of today, and the jump from prewar exports of $3,000,000,000 to the proposed exports of $16,000,000,000, they are hardly correct?

Mr. SMITH. That is for other equipment, petroleum. The petroleum equipment we have considered shows just about the difference in the ratio of dollar value prewar as to what the exports would be today, as to the difference in the cost of the equipment.

Mr. CASE. But the percentage of exports to the total supply would give us a fairly accurate comparison, would it not?

Mr. SMITH. Of exports to total supply?

Mr. CASE. Yes; in the percentage column, the percentage figures give us a truer picture of the relationship between what we are proposing to export now and what was exported prewar than would the dollar figure. Is that not correct?

Mr. SMITH. No, I would not say it was in the case of petroleum equipment, which is included in this figure here.

Mr. CASE. Has there been any change in the price of petroleum equipment?

Mr. SMITH. There has been a change in the price of petroleum equipment, and the price has increased.

Mr. CASE. Then I do not understand your answer. Looking at this table which gives the United States production, imports, and so on, on page 4, under petroleum equipment, including machinery, and considering the item for machinery, other, in column 3, we find the production figure, prewar, of $3,078.500,000 and from April 1948–June 1949, $16,360,000,000.

Mr. NITZE. I am afraid the table that you are reading from, Mr. Case, is misleading. There was added a new column. That $16,000,000,000 item covers machinery, other, of which petroleum equipment is only one part, and probably there should have been another column.

Mr. CASE. Even so, if there has been a change in price, a comparison of the prewar against the present in terms of dollars would not give us as accurate a picture of the proposed exports as a comparison of percentages.

Mr. NITZE. That is correct. I think Mr. Smith's point was that the petroleum equipment which is included in this one item, under a

bigger category, would show a somewhat different percentage figure.

Mr. SMITH. That is right.

Mr. NITZE. Of machinery, to the whole figure.

PERCENTAGE OF EXPORTS OF AVAILABLE EQUIPMENT

Mr. CASE. If that is true, percentagewise, the total exports to the participating countries, prewar, was 26.5 percent, and other exports, presumably to nonparticipating countries, was 6.3, or a total of 32.8 percent.

The same percentages for the 15 months' period, April 1948 to June 1949, are 42.2 percent to participating countries and 8.2 percent to other exports, or a total of 49.4 percent.

The point I was making is whether or not that indicates that where we exported 32.8 percent prewar we are now proposing to export 49.4 percent, or practically half of the production?

Mr. SHAW. I do not know whether you have a table with the extra column or not, but column 10, under "Percentage," giving the percentage of tht total supply——

Mr. WIGGLESWORTH. It is column 8, is it not?

Mr. SHAW. Column 10 plus column 13, equals column 8.

Mr. CASE. Where is column 13.

Mr. SHAW. It is given on this table [indicating].

Mr. CASE. This table of April 28, 1948, does have a column 13. The one that I had stopped at column 12. Then you would add column 10 and column 13 to get the total percentage of exports?

Mr. WIGGLESWORTH. Which, in fact, is column 8?

Mr. SHAW. It is column 8 on that table, with the 13 columns on it.

Mr. CASE. Do these prewar figures apply to a full year or to a 15 months' period?

Mr. SHAW. They show for a 12 months' period.

Mr. CASE. It is given for 12 months. Then again we would be at a loss, because the prewar figures show 8.6 percent of the total supply being exported, whereas the April 1948 to June 1949 would be for a 15 months' period.

Mr. NITZE. That would not affect the percentages.

Mr. CASE. Is the production on a calendar-year basis, and the exports on a 15 months' basis?

Mr. NITZE. Both are on a 15 months' basis.

Mr. CASE. Both for 15 months.

Mr. NITZE. For the period April 1948 to June 1949.

Mr. CASE. That makes it clear. Then the comparison is between the exports of 8.6 percent supplies, prewar, and the proposed exports of 13.9 percent of supplies in the 15 months' period.

Mr. NITZE. That is correct, with respect to all machinery; it is not just for petroleum equipment.

UNITED STATES EXPORTS OF PETROLEUM EQUIPMENT BY DOLLAR VALUE TO COUNTRY BY DESTINATION

Mr. WIGGLESWORTH. The table which has just been handed to me, entitled "United States Exports of Petroleum Equipment, by dollar Value, to Country by Destination," will be made a part of the record.

(The table referred to follows:)

United States exports of petroleum equipment, by dollar value, to country by destination

Country	Period			
	Prewar 1939	1946	1947	Fiscal 1948–49
1	2	3	4	5
Austria				960,000
Belgium, Luxemburg and dependencies	89,991	20,971	413,746	523,500
Denmark	38,174	240,247	161,789	794,400
France and dependencies	262,442	2,067,786	6,160,499	5,524,600
Greece	147,237	3,774	44,990	100,000
Iceland		1,735	10,959	
Ireland	16,918	2,345	30,124	196,800
Italy	448,949		142,166	2,758,900
Norway	41,319	14,902	51,673	515,500
Netherlands and dependencies	4,617,543	725,498	2,009,443	5,090,000
Portugal	70,835	7,168	101,217	12,200
Sweden	248,642	63,250	1,641,673	176,300
Switzerland	36,680	43,694	295,225	92,600
Turkey	35,084	384,772	293,343	326,000
United Kingdom and dependencies	2,829,755	1,591,968	2,610,566	7,900,000
Western Germany	173,141		10,340	9,496,000
Total	9,056,710	5,168,110	13,977,753	34,466,800

NOTE.—Complete data of break-down of petroleum equipment not available, as many other industries also use the same equipment. Therefore, to determine a fair and equitable basis for comparison, the following factors were used:

1. Figures in columns 2, 3, and 4 cover items identifiable as petroleum equipment and covers drilling equipment schedule B number (734200); other equipment, including refining (734900), and pumps, gasoline and oil (793100).

2. Figures in column 5 are a total of categories 1, 4, and 7 by country, as those categories comprise the same type equipment listed above. For the United Kingdom only that quantity of equipment going to United Kingdom proper and its dependent overseas territories were included. All equipment for other overseas area not included.

Mr. WIGGLESWORTH. This table does not seem to show any relationship whatsoever between the contemplated exports of petroleum equipment in the fiscal 1948–49 period with the actual shipments for 1947 or for the prewar period.

For instance, for Denmark we are given $161,789 shipments in 1947, and you are proposing $794,400 for 1948–49.

Ireland had $30,124 in 1947 and jumps up to $196,800 in 1948–49.

Italy goes from $142,166 in 1947 to $2,758,900 in 1948–49.

The Netherlands and dependencies, from $2,009,443 to $5,090,000.

Western Germany, from $10,340 to $9,496,000.

The over-all total is $34,466,800 compared with $13,977,753 in 1947, and $5,168,110 in 1946, and a little over $9,000,000 prewar.

I do not know how valuable this table, but with the 1948–49 shipments it would seem to be quite out of line with the other three periods which you have included in the table.

Mr. SMITH. It is perfectly true that table shows merely a set-up of the differences with the estimated shipments for 1949 as against the actual for 1947. We went into the consideration of the entire program for increasing the world production of crude and refined in these areas, which is a very wide program, and one very necessary, to increase the availability of petroleum products.

BASIS FOR ESTIMATE OF EXPORT REQUIREMENTS

Mr. WIGGLESWORTH. That is a pretty general statement; with the $9,000,000 prewar, and $5,000,000 in 1946 and $13,000,000 in 1947,

how did you arrive at the conclusion that $34,466,800 would be essential for 1948–49?

EXPANSION OF CRUDE-OIL PRODUCTION

Mr. LEVY. May I say, Mr. Chairman, that the world oil industry is planning to expand production in the next few years by a very considerable percentage. The most favorable area for building up production is in the Middle East and in Latin America, particularly Venezuela.

This program will require an investment in equipment by the world oil industry, in the next 4 years, in the order of $13,000,000,000. From our United States point of view, the expansion of production, in Latin America and in the Middle East will be necessary to bridge the gap between world supply and world requirements without the necessity of drawing on our reserves in the United States.

Now the program of expanding crude production is a very considerable one, and with an increase of about 20 to 25 percent in crude oil output during the next 3 or 4 years world refining capacity must be enlarged accordingly—and of course also tanker transportation capacity, estimates for which have not been included in the figures cited above. The expansion of refining capacity will take place to a considerable extent in the Eastern Hemisphere, in participating countries, and in some other areas close to the producing centers, such as Syria or Lebanon.

This expansion in refining capacity in participating countries will, in effect, result in a very considerable saving in foreign exchange which these countries must now spend for the imports of oil products.

To give you an idea, admittedly rough, of what this amounts to, I may say, that for every ton of refining capacity which is put up there European countries will save a sizable amount of dollars in foreign exchange which they would have had otherwise to pay for the imports of finished products; with refining capacity available in those countries they will be able to import crude oil and produce the finished products at home.

The savings per ton of refining capacity amount to about $3 to $5. That is the difference between the price of importing a ton of crude oil and refining it at home and the price for the imports of the corresponding amount of finished products.

The program as it has been submitted by the participating countries envisages the expansion of refining capacity by 15 to 20 million tons during the next 4 to 5 years. A program of about such magnitude is necessary to take care of the increased crude-oil production; without such new refining capacity the increase in crude-oil production would be useless.

The equipment that is put into the expansion of refining capacity, and which accounts for a large part of the total, will lead to immediate savings in the foreign-exchange expenditure of the participating countries for the purchase of oil from foreign sources.

DISCUSSION OF SAVING RESERVES IN WESTERN HEMISPHERE THROUGH EXPORT OF EQUIPMENT

Mr. CASE. I think that is interesting and important, Mr. Levy, but I wish you would also give for the record, because I think your state-

ments generally on petroleum have been quite factual; would you also tell us for the record what this may mean as far as saving reserves in this hemisphere is concerned?

Mr. LEVY. Yes, sir; I can speak about it right now if you want me to.

Mr. CASE. Briefly, can you give us that in figures? What will that mean, so far as saving petroleum reserves in this country is concerned, or in the Western Hemisphere?

Mr. LEVY. During the next 4 years the production of oil within the Western Hemisphere is expected to increase—the current output is expected to increase from 330,000,000 tons in 1947 to 360,000,000 tons in 1951. Of the $13,000,000,000 which I mentioned before and which will be invested in the development of world oil, the bulk will be spent right here in the Western Hemisphere, and result in an estimated increase in production of about 10 to 15 percent. In the Middle East we will have probably an increase of 100 percent over the same period.

Mr. CASE. What has been their production?

Mr. LEVY. 44 million tons in 1947, and about 85,000,000 to 90,000,000 tons is the estimated rate of production for 1951.

Mr. CASE. Is that dependent upon this equipment?

Mr. LEVY. It is absolutely dependent on providing the necessary equipment for the development of production and transport facilities and pipe lines to take care of the Middle East plus a corresponding increase in refining capacity to treat this crude oil.

Mr. CASE. Then the export of this petroleum equipment will mean a saving in demand of about 40,000,000 tons?

Mr. LEVY. You could put it that way.

Mr. CASE. In the first year?

Mr. LEVY. No; that is over 4 years.

Mr. CASE. Over 4 years?

Mr. LEVY. Yes; 10,000,000 tons a year, which at current prices, if you look at the crude oil only would have a value of $150,000,000 to $200,000,000 a year.

Mr. CASE. Of course, it is possible that if that had to come from this hemisphere that it might not all be forthcoming, but to the extent that it would be required or demanded the export of this equipment can be regarded as a saving in the demand on Western Hemisphere supply.

Mr. LEVY. That is correct, sir.

Mr. MAHON. Mr. Case, I just walked into the room, and I missed the first part of that statement. Was this amount that has been spoken of in dollars and otherwise the amount of petroleum products which will not have to be exported to these countries provided they get this equipment; is that the point?

Mr. CASE. Yes, that is what I was getting at.

Mr. LEVY. I might put it this way: In 1948 we expect that the Western Hemisphere will supply Europe with 27 percent of its oil requirements, and that includes the United States and Latin America, of course, and that this percentage will drop to about 17 percent in 1951, or, to put it the other way around, the Middle East which supplied 38 percent of Europe's requirements in 1948 will supply 82 percent of Europe's requirements in 1951.

I am sorry I quoted you the wrong figure at the beginning. In 1948 the Western Hemisphere will supply about 61 percent of the

European requirements, and we expect that percentage to go down to about 18 percent in 1951.

Mr. CASE. To 18 percent?

Mr. LEVY. From 61 percent to 18 percent, yes.

Mr. CASE. I think that is important because of the fuel oil and gasoline demands in this country. During the past year there has been a good deal of reluctance on the part of everybody to export their petroleum or petroleum equipment and if the export of petroleum equipment will reduce the demand on our petroleum supplies then it makes sense. We exported a lot of petroleum during the war that is gone forever.

Mr. MAHON. But by exporting petroleum equipment do we render our own productive machine less capable of producing sufficient petroleum products to meet the demand?

Mr. LEVY. We will ourselves be importing oil, and we will import increasing quantities from the Middle East; we are already today importing oil from the Middle East.

Mr. MAHON. Would we import oil that might be produced by this equipment which we export to them?

Mr. LEVY. We will, perhaps, to some extent. Nobody can deny the fact that if we export this equipment we will not have it here and, obviously, we can use a lot of equipment right here, and we are going to use a very large amount of it here.

Mr. MAHON. Nobody can deny that if we export this equipment we will produce less oil in continental United States than we would otherwise.

Mr. LEVY. I would perhaps say this, that there is a certain limit to what you can do with equipment. We are going to have a lot of wildcatting, and we must find new oil reserves in order to increase our production or even to maintain it at the present level. The United States oil industry will spend within the next 4 years $5,000,000,000 on production in the United States.

Mr. MAHON. I do not think you have answered my question. Maybe you answered it before I stepped into the room.

Mr. LEVY. I would say that we are going to do in our country what can reasonably be done to increase the amount of production here, but to give you an idea of the quantities involved, the average oil well in the Middle East produces between 5,000 and 10,000 barrels of oil a day. The average oil well here produces 12 barrels a day.

Mr. MAHON. You mean some oil wells?

Mr. LEVY. No, the average for all wells for the country.

Mr. MAHON. Only 12 barrels a day?

Mr. LEVY. Yes; for the whole country. The average for the Middle East now is about 5,000 barrels per day.

Per ton of steel which we put into the production of oil that is per ton of tubular goods used for casings and connections we obtain here an output of 750 barrels a year compared with 36,500 barrels per year in the Middle East. The yield of oil per ton of steel put into the production of oil is about, I would say, 50 times as great in the Middle East as it is right here in this country.

Mr. CASE. Does that Middle East supply contribute to reducing the demand on our own resources for our own use?

For example, does it offer the possibility of supplying fuel oil for naval ships that would otherwise have to be supplied with oil from this hemisphere?

Mr. LEVY. Yes, sir; that is correct. The Saudi Arabian oil for instance, is used to satisfy a considerable part of our naval requirements. Our Navy is taking a lot of oil from the Saudi Arabian fields under contract. This is a direct substitution for oil which our Navy would otherwise have to take from our own shores.

PRODUCTION OF PETROLEUM EQUIPMENT

Mr. CASE. Now, are these figures on this long table here on United States production accurate as to the production of petroleum equipment?

Mr. LEVY. I think that those figures do not refer to petroleum equipment, Mr. Case.

Mr. SHAW. There are no figures in that table that relate solely to petroleum equipment.

Mr. CASE. What is the item No. 47 which says, "Petroleum equipment"?

Mr. SHAW. That says, "Petroleum equipment, included under machinery, other," and then you go on and next it says, "machinery, other," and if we look at footnote three it includes coal mining machinery, steel equipment, timber equipment, petroleum equipment, and machinery n. e. s.

Mr. CASE. We have been handed this table here on "United States exports of petroleum equipment." Can we have the figure on the production of petroleum equipment prewar and for these other periods?

Mr. SMITH. That is not production. That is the export figure, Mr. Case.

Mr. CASE. I know this table shows the export figure, but can we have the production figures on petroleum equipment?

Mr. SMITH. There is no possible way to bring out the equipment that would be strictly used only in the petroleum industry. There is no known source which shows petroleum equipment as such, other than the three items which are included on our export table.

Mr. WIGGLESWORTH. On table D–4 you have given us some figures for petroleum equipment, that is, total shipments from the Western Hemisphere, $225,700,000 and ECA financed for the first 4 months, $67,400,000. How can you arrive at those figures if you cannot give us what Mr. Case is asking for?

Mr. LEVY. The production of petroleum equipment, as Mr. Smith has pointed out to you, is simply not available if you group all petroleum equipment together. There are too many different things included in it.

PRODUCTION AND EXPORTS OF TUBULAR GOODS

I have here in front of me, for instance, figures on production and exports of steel tubular goods which are, of course, essential for the petroleum industry. These figures show, for 1938, a total production of 1.3 million short tons which increased by 1947 to an estimated 2,550,000 tons. That means an increase of about 100 percent over prewar.

Mr. CASE. In other words 2.5 against 1.3?

Mr. LEVY. Yes, sir; 2.5 against 1.3.

Mr. CASE. That necessarily would show a relationship there.

Mr. LEVY. That is for tubular goods, pipes, and so forth.

Mr. CASE. The total?

Mr. LEVY. Yes.

Mr. CASE. That is an important item.

Mr. LEVY. Yes.

Mr. CASE. The exports of petroleum equipment are proposed to be increased not in the ratio of 1 to 2, but in the ratio of 9 to 34.

Mr. LEVY. Of course, we have the value figures there which include the price increase, which is an important factor.

Mr. CASE. Yes.

Mr. LEVY. That means the actual relationship between quantities is different from that between values.

Mr. CASE. But the same thing would be true as between 1938 and 1947 on tubular equipment too. That is what I was trying to get at, something so that we could see the ratio relationship.

Mr. LEVY. I would like to make one other point in that connection, and that is to meet this world-wide expansion program of the oil industry, which as I have said is a $13,000,000,000 program, the production of petroleum equipment here and elsewhere must be increased considerably over any figure we have seen up to now.

The historical pattern, the 1938 pattern, in this case means very little. We have probably never been faced with a situation where we had to expand petroleum production as rapidly as we must do it now. That is a unique situation. As you probably know the National Petroleum Council investigated this problem and tried to figure out how much steel is required to meet the program of the United States oil industry. The council came out with a study recently which, as I understand it, is now under consideration in the Commerce Department.

The historical pattern in a situation like the present one really provides us with not too good a guide on what is going to happen in the future because of the tremendous effort that will have to be made if world production is to be increased as planned.

Mr. Case, I also have figures here for exports of tubular goods for the same two years.

Mr. CASE. All right.

Mr. LEVY. In 1938 the export of oil country tubular goods amounted to 56,000 short tons, and these are total exports, compared with 95,000 short tons in 1947.

Mr. WIGGLESWORTH. Are there any further questions on this petroleum equipment item?

EFFECT OF OVER-ALL PETROLEUM EQUIPMENT PROGRAM ON UNITED STATES

Mr. STEFAN. I know, Mr. Chairman, that our colleague from Texas is worried about the production in the United States as a result of the export of all of this petroleum equipment to these foreign countries.

On page F–119 of the justifications there is this statement:

> While it is recognized that the position in petroleum equipment, especially for certain items such as pipe and certain valves, is tight, it is not believed that the over-all effect of the petroleum equipment program on the United States will be acute.

It also states that:

Equipment manufacturers have indicated that they are working off their backlogs of standing orders and that they can meet the general level of requirements indicated in the program by the time it has been reduced to engineering specifications. In some cases, manufacturers in the United States have stated that they will shortly be actively engaged in developing foreign outlets for their supplies.

Now, Mr. Levy you indicated that this is not the exact truth. You indicated that there is proposed some increased production, and this indicates that there are some bottlenecks.

Mr. LEVY. There are certainly some bottlenecks in highly manufactured equipment. The basic bottleneck is steel, of course. That means if sufficient steel is made available the program can probably be met.

Mr. STEFAN. It still indicates what the gentleman from Texas is worried about, whether there is going to be enough equipment for American users of this petroleum equipment.

Mr. MAHON. He comes back with this thought that by the use of this equipment over there they will produce so much more oil per unit of steel used that perhaps the world picture will be much improved and maybe our economy will have less drain on it.

Mr. STEFAN. I still feel from all the evidence that there is going to be a tight situation on petroleum equipment here in the United States, and when the oil people ask for that equipment you will have to tell them that we have to sacrifice that much to produce more oil over there in order to reduce the demand on our domestic production.

Mr. LEVY. That is correct.

Mr. MAHON. I believe that Mr. Levy would be the first to say that the oil-producing people in this country are quite unhappy because they cannot get adequate equipment for their own operations.

Mr. LEVY. Yes; I think it is the job of our licensing people in the Commerce Department to see to it that no equipment leaves this country for which there is vital need here.

Mr. STEFAN. That is what I think we set up this Licensing Division for, to see that not only petroleum equipment, farm machinery, steel equipment, and other equipment needed to carry on our program here is not taken away from us.

Mr. LEVY. Exactly.

Mr. CASE. There was also still a second point that followed that, and that is how much petroleum we would save in the demand made upon the Western Hemisphere, when you testified that we would perhaps get 50 times as much petroleum if we exported this equipment as we would get out of it if we used it here and to meet the demands and necessities, purely our own demands through the naval ships and through the airplanes that we have overseas. Then it might be shown that actually there will be more petroleum available for domestic uses in the United States because this equipment is exported overseas than if we used it here and secured less production.

Mr. LEVY. That might well be the case.

Mr. CASE. Well, is it the case, you testified we would get 750 barrels——

Mr. LEVY. Per ton of steel used.

Mr. CASE. Per ton of steel, as compared with what?

Mr. LEVY. As compared with——

Mr. KEEFE (Interposing). Compared with about 30,000 barrels, as I remember it.

Mr. LEVY. Yes; about that.

Mr. CASE. About 30,000?

Mr. LEVY. I am not quite sure whether it is 30,000, between 10,000 and 20,000. I would like to check this figure.

Mr. CASE. Let us have that in the record.

Mr. LEVY. Yes, I will put it in the record.

Mr. CASE. Also indicate what would be the Army's demand upon Western Hemisphere supplies if they were not supplied through the source to which this equipment is to be exported.

(The information requested is as follows:)

In fiscal 1949 the armed services of the United States expect to obtain from offshore sources of supply about 100,000 barrels a day of petroleum products, of which about 70,000 barrels a day will be obtained from Middle East sources.

Mr. LEVY. I would like to correct those figures so as not to leave any wrong impression. According to a statement made by the former Secretary of Commerce Mr. Harriman before the Senate Small Business Committee, it is 6,000 barrels per ton of steel in the Middle East compared with 100 barrels per ton of steel over here. That is the correct figure.

MISCELLANEOUS COMMODITIES

STATEMENT OF CHARLES P. KINDLEBERGER, SPECIAL ADVISOR TO OFFICE OF FINANCIAL AND DEVELOPMENT POLICY, DEPARTMENT OF STATE

Mr. WIGGLESWORTH. We will take up item No. 48 which is entitled "Miscellaneous Commodities," which apparently contemplates the shipment of $1,900,000,000 of miscellaneous commodities from the Western Hemisphere which are to be financed in the first 12 months by ECA to the extent of 239.6 million dollars. Do you have some general statement on this miscellaneous item?

GENERAL STATEMENT

Mr. KINDLEBERGER. Yes; I have a few copies of some tables, sir, with a brief general statement.

I think it is proper to say that this miscellaneous commodities items is a catch-all.

Mr. WIGGLESWORTH. It is a pretty big catch-all, according to the figures given here.

Mr. KINDLEBERGER. Yes, sir. The category covers all the commodities that pass between in trade among industrialized countries; there are thousands of separate items.

We have isolated 47 groups of items which are most important to the European recovery and which are most important in terms of the supply situation in the United States. These items account for 85 percent of European imports from the Western Hemisphere. The remainder which appears large in bulk consists of thousands and thousands of small items of all types. Our estimates on this have been derived from the import figures of 16 countries.

It might be appropriate, if you had the time, to listen to the individual country experts who calculated these figures to give you an indication of what goes into them.

MISCELLANEOUS IMPORTS AND EXPORTS OF PARTICIPATING COUNTRIES FROM AND TO WESTERN HEMISPHERE

On the assumption that your time does not permit of such an intensive investigation I have attempted to prepare a table which puts together the imports and exports of the participating countries to and from the Western Hemisphere for the 15-months' period, broken down as between the United States and other Western Hemisphere countries. In addition, I have attempted to give a very rough indication in the following table of the breakdown for the fiscal year 1949 of miscellaneous imports of these countries from the United States as between certain general classes. I must emphasize that this breakdown is extremely rough because it is based primarily upon the trade figures of the separate countries themselves.

These are rough figures, and in frequent cases they are only estimates because of the fact that it is difficult from the foreign-trade statistics of the 16 countries to get a classification which is comparable and which can fit into our records.

Mr. WIGGLESWORTH. Without objection we will include tables I and II at this point in the record.

(The matter referred to is as follows:)

TABLE I.—*Miscellaneous imports and exports of the participating countries from and to the Western Hemisphere*

[In millions of dollars]

	Imports, United States, April–June 1948	Imports, other Western Hemisphere, April–June 1948	Exports, United States, April–June 1948	Exports, other Western Hemisphere, April–June 1948	Imports, United States, 1948–49	Imports, other Western Hemisphere, 1948–49	Exports, United States, 1948–49	Exports, other Western Hemisphere, 1948–49
Austria	3.0	2.5	1.9	0.8	11.9	9.9	4.6	2.0
Belgium-Luxemburg	27.0	7.0	15.0	8.0	108.0	28.0	60.0	24.0
Belgium dependent overseas territories	2.0	1.0	7.0	1.0	6.0	4.0	30.0	4.0
Denmark	7.5	1.5	1.0	.5	26.4	1.9	1.7	5.6
France	10.0	3.0	16.0	15.0	5.00	15.0	70.0	60.0
French dependent overseas territories	2.0	1.0	3.0	1.0	5.0	2.0	15.0	5.0
Greece	4.2	2.4	3.8		33.0	9.6	3.0	
Iceland	1.4		.2		5.7	1.0	.2	
Ireland	3.0	2.0	.3	.1	20.0	10.0	1.3	.3
Italy	14.0	7.0	5.5	6.7	113.1	75.3	13.7	27.6
Netherlands	19.6	8.8	4.8	4.3	71.6	32.3	22.6	17.3
Netherlands dependent overseas territories	5.0	.5	1.0		10.0		5.0	
Norway	12.8	6.3	.6	3.3	59.6	4.9	2.5	13.8
Portgual	1.7	.7	4.5	1.8	7.0	2.6	17.9	7.5
Portugal dependent overseas territories	1.0	.2	.2		4.0	1.0	1.0	
Sweden	19.8	5.8	13.9	10.4	88.9	21.5	55.3	36.8
Switzerland	13.5	3.8	29.4	8.8	49.1	13.5	114.8	41.7
Turkey	5.0		2.0		16.0		7.0	
United Kingdom	31.7	61.0	50.2	68.7	130.1	153.5	226.9	291.8
United Kingdom dependent overseas territories	47.5	21.0	12.5	3.0	190.0	30.0	50.0	12.0
Bizone	19.0	7.5	5.5	5.0	47.7	30.0	18.0	5.0
French zone			1.0		2.7		4.0	
Saar								
Total	250.7	143.0	179.3	133.3	1,055.8	450.0	724.5	554.4

TABLE II.—*Miscellaneous imports of the participating countries from the United States, fiscal 1949*

[In millions of dollars]

	Total	Food, feed seed, n. e. s.	Furs, leather, and manufactures	Rubber goods and other inedible vegetable products	Textiles, n. e. s., and clothing	Wood manufactures	Metals and manufactures, n. e. s.	Nonmetallic minerals, n. e. s.	Instruments and appliances	Residual miscellaneous
Austria	11.9	1.3	0.6	0.4	0.4	------	3.9	1.0	2.1	2.2
Belgium-Luxemburg	108.0	12.3	13.1	16.2	26.4	7.1	14.2	4.7	2.3	11.7
Belgian dependent overseas territories	6.0	------	.3	.2	1.1	.3	2.1	------	.2	1.8
Denmark	26.4	5.6	.8	4.2	1.5	1.4	4.8	3.2	.6	4.3
France	50.0	------	------	11.3	8.5	6.3	------	7.7	2.8	13.4
French dependent overseas territories	5.0	------	------	------	1.1	1.4	2.1	------	------	.4
Greece	33.3	1.5	------	------	2.0	.8	2.9	1.1	4.3	20.7
Iceland	5.7	------	------	------	.9	------	2.5	------	------	2.3
Ireland	20.0	.3	.8	.9	12.2	1.3	1.2	.1	.5	2.7
Italy	113.1	11.1	4.8	12.3	17.6	5.2	14.3	4.7	12.2	30.9
Netherlands	71.6	1.8	5.2	9.7	6.2	4.7	12.3	6.4	5.6	19.7
Netherlands dependent overseas territories	10.0	------	.6	.3	1.7	.9	3.3	.1	.1	3.0
Norway	59.6	------	5.1	8.3	9.2	1.3	9.6	8.7	3.6	13.8
Portugal	7.6	------	------	3.0	1.0	------	------	------	2.0	1.6
Portuguese dependent overseas territories	4.0	------	.2	.1	.8	------	1.4	------	.8	.7
Sweden	88.9	1.5	7.2	14.3	16.1	2.3	22.4	10.4	4.7	10.0
Switzerland	49.1	2.1	6.3	4.9	4.2	1.2	10.3	3.1	3.2	13.8
Turkey	16.0	------	------	3.0	------	1.3	1.8	.7	1.5	7.7
United Kingdom	130.1	1.6	21.7	21.7	14.2	13.3	20.9	10.8	3.2	22.7
British dependent overseas territories	190.0	16.2	7.2	13.1	21.0	5.4	27.2	1.1	.7	98.1
Germany:										
Bizone	47.7	2.7	------	2.1	2.7	1.3	3.9	2.1	1.1	31.8
French zone	2.7	------	------	2.7	------	------	------	------	------	------
Saar	------	------	------	------	------	------	------	------	------	------
Total	1,056.7	58.0	73.9	128.7	148.8	55.5	161.1	65.9	51.5	313.3

Mr. WIGGLESWORTH. Now, will you explain in a little more detail just what this table 1 is?

Mr. KINDLEBERGER. We did not put the miscellaneous commodities together in the brown book at any point. Hence the desirability of the table. The figures are entirely in millions of dollars, since the category consists of a hodge-podge of commodities which cannot be given in quantity figures.

Mr. WIGGLESWORTH. Column No. 1 represents the imports by the participating countries from the United States for the 3-month period April, May, and June, and column 2 represents imports from the other Western Hemisphere countries for the same period?

Mr. KINDLEBERGER. Yes, sir.

Mr. WIGGLESWORTH. And column No. 5 shows the total importations by the participating countries from the United States of $1,055,800,000.

Mr. KINDLEBERGER. Yes, sir.

Mr. WIGGLESWORTH. That is for the fiscal year 1949?

Mr. KINDLEBERGER. Yes, sir.

Mr. WIGGLESWORTH. Twelve months estimated?

Mr. KINDLEBERGER. Yes, sir.

Mr. WIGGLESWORTH. And imports for the same period from other Western Hemisphere countries $450,000,000, and exports to the United States of 724.5 million dollars?

Mr. KINDLEBERGER. Yes, sir.

Mr. WIGGLESWORTH. And exports to other Western Hemisphere countries for the same period 554.4 million dollars?

Mr. KINDLEBERGER. Yes, sir.

I might indicate, sir, if you will permit me to do so, that whereas the selected commodities cover 85 percent of Europe's imports from the Western Hemisphere, they cover only about 55 percent of Europe's exports to the Western Hemisphere. That is because we import from Europe luxury goods of a type which were not suited specifically for European recovery. This type of goods is not included among selected items in our list of 47 selected commodities. In consequence, exports of miscellaneous commodities to the Western Hemisphere as a whole comprise 45 percent of the total of exports.

TEXTILES AND CLOTHING

Mr. STEFAN. Explain this item of textiles not elsewhere specified, and clothing on table II. It indicates $26,400,000 to Belgium. I have heard, and I do not know how official it is, that the Belgian textile mills were closing down yesterday, and somebody in the State Department confirmed that. What is the story on that?

Mr. KINDLEBERGER. All I can say, sir, is that those textiles not elsewhere specified exclude wool and wool yarn, wool cloth, cotton yarns and cotton cloth, and what it includes I assume is rayon yarns and rayon cloth.

Mr. STEFAN. Will somebody give us that information about those textile mills in Belgium closing down and what is the reason for it?

Mr. KINDLEBERGER. Yes, sir; we will try to provide that for the record.

Mr. STEFAN. Thank you.

(The matter referred to is as follows:)

Reports reaching the Department of State confirm Mr. Stefan's impression that certain textile mills in Belgium are restricting their operations because of lack of markets. This is true primarily in the field of cotton-textile manufacturing and has arisen from payments difficulties in intra-European trade. The fact that Belgian cotton-textile mills are experiencing this type of difficulty does not change Belgian requirements for textiles other than cotton textiles. Belgian requirements from the United States of miscellaneous textiles are largely in the synthetic fiber field and cannot be reduced because of surplus capacity in the field of cotton textiles.

LEATHER, HIDES, ETC.

Mr. STEFAN. This leather item would be different than the one we had under the item leather, hides, and so forth?

Mr. KINDLEBERGER. This should be leather manufactures. It is manufactures of leather which is excluded from hides and skins.

Mr. STEFAN. Then it is an absolutely different item than you were testifying on a little while ago about furs, leather, and hides?

Mr. KINDLEBERGER. Yes, sir.

Mr. WIGGLESWORTH. Column 1 of table 2 shows imports from the United States by the participating countries amounting to $1,056,-700,000. That roughly corresponds with the total in column 5 on table 1.

Mr. KINDLEBERGER. Yes. I am not sure why it does not correspond exactly, but I imagine it is a rounding-off error. In one case we took the true total.

Mr. WIGGLESWORTH. Table 2 is a break-down of column 5, table 1?

Mr. KINDLEBERGER. Yes, sir; it is a very rough break-down.

Mr. WIGGLESWORTH. When you add the total imports from the United States in column 5 to the total imports from other Western Hemisphere countries it gives you what?

Mr. KINDLEBERGER. $1,899,500,000 for 15 months.

Mr. WIGGLESWORTH. I was going to ask you why it did not give that.

Mr. KINDLEBERGER. That is the difference between the fiscal year and 15 months.

Mr. WIGGLESWORTH. It is 12 months compared to 15 months?

Mr. KINDLEBERGER. Yes, sir; it would be $1,155,800,000 for the year, and it would be $1,899,500,000 for 15 months.

Mr. WIGGLESWORTH. And on table 1 the period you have given us there is April to June?

Mr. KINDLEBERGER. For 1948.

Mr. WIGGLESWORTH. For 1948?

Mr. KINDLEBERGER. Yes, sir.

Mr. WIGGLESWORTH. You have not any production figures?

Mr. KINDLEBERGER. I am afraid it is just about impossible to give them, sir, in view of the variety of myriad products involved.

Mr. WIGGLESWORTH. Is this supposed to reflect about what they have received in 1947, for instance?

Mr. KINDLEBERGER. Yes, sir. As I indicated in the early part of my statement, country experts rather than commodity specialists made these estimates and followed the general line of projecting the economic recovery pattern in these countries. That meant that for certain items which were for domestic consumption there would be a decline in the demand for them as recovery proceeded; but that for certain other items, such as raw materials, for instance jute and sisal fiber and that sort of thing there, would be an increase in requirements resulting from the recovery of industry.

Mr. CASE. Mr. Stefan has just said to you that he has heard that the textile mills in Belgium are closing down because of the imports that are being sent in of some of these things. If that is the situation why should we propose to send to Belgium and Luxemburg 26.4 million dollars worth of textiles and clothing?

Mr. KINDLEBERGER. I indicated, sir, that I was not prepared to answer that question and would attempt to do so for the record.

DISMANTLING OF RAYON PLANT IN GERMANY

Mr. CASE. Do you know anything about the rayon plant that was dismantled in Germany?

Mr. KINDLEBERGER. No, sir; I am afraid I do not.

Mr. CASE. Are you dealing with textiles?

Mr. KINDLEBERGER. No, sir; I am simply trying to represent the 16 country committees which arrived at these estimates on a country to country basis. I happen to be aware that the textile import item for Belgium has a large element in them of rayon yarns and rayon cloth. I judge, in general, without being a textile expert whatever, that rayon

production in Europe has been a matter of lack of wood pulp which has been in short supply, and that has increased the demand for rayon from this country. Our exports of rayon, I think, are very much larger than they were prewar, but I would have to confirm that.

Mr. CASE. Of course, there are portions of southern Germany where wood pulp is available, or could be made available. It could be obtained in Austria.

Mr. KINDLEBERGER. The wood that is being cut in Germany, if I am not mistaken, is, for the most part, being used for lumber rather than for wood pulp.

Mr. CASE. Possibly so. Austria has some wood pulp for export, or paper for export.

Mr. KINDLEBERGER. We can check the position with respect to that in the commodity brown book.

Mr. NITZE. That is on page 177.

Mr. BRAMBLE. There is a difference between the wood pulp used for rayon and the wood pulp used for newsprint.

Mr. CASE. But in any event, whether the rayon plant that was located in Germany was dismantled and sent to France, United Kingdom, or some other western European power it would still require raw material.

Mr. KINDLEBERGER. Yes, sir. I am not at all aware that there is a rayon plant there. Our German policy, when I was closely connected with it, up until July, was to leave all plants of peaceful character there.

Mr. CASE. My information is that there was in western Germany the most modern rayon plant in all of Europe and, perhaps, for that reason it was on the list for dismantling.

Mr. KINDLEBERGER. I might suggest that would be a proper inquiry to make of the Army.

Mr. CASE. The Army says the State Department set that policy.

Mr. KINDLEBERGER. The State Department policy when I was connected with it was to leave such plants alone.

Colonel BLUMENFELD. Are you referring to the French zone or the bizone, Mr. Case?

Mr. CASE. It was in western Germany.

Colonel BLUMENFELD. We have never been able to find a rayon plant in the bizone. It may well be that it is in the French zone.

FOOD, FEED, AND SEED

Mr. WIGGLESWORTH. I notice in table 2 you have one column which adds up to $58,000,000 for food, feed, and seed. We have already covered the food items, have we not? Why do we need another $58,000,000 in food under miscellaneous commodities?

Mr. KINDLEBERGER. There are certain items which have not been covered under food. Certainly, by far the major part of the food items amounting to more than $3,000,000,000 have been covered, but there are a few odd ones which have been left over. The major component in this table, I believe, is canned vegetables. Belgium and Luxemburg, for example, import them from the United States. They have not been covered in any other food item. Canned fish are covered under the fish item, but canned vegetables are not.

Mr. WIGGLESWORTH. Under food, feed, and seed there is $11,000,000 going to Italy, $16,000,000 to British DOT, and $12,000,000 to Belgium and Luxemburg.

Mr. KINDLEBERGER. The $12,000,000 to Belgium and Luxemburg is largely canned vegetables.

The $11,000,000 to Italy, if I am not mistaken, is grain preparations other than flour. Flour and wheat were previously covered in the selected items under the title grains. Flour was included with wheat, but there are other types of grain preparations which are suited to the Italian diet which are included in this item.

Mr. CASE. Which they did not ask for?

Mr. KINDLEBERGER. No, sir, which is a part of the traditional imports that they have normally imported from this country.

Mr. CASE. What does, "NES" mean?

Mr. KINDLEBERGER. "Not elsewhere specified."

Mr. WIGGLESWORTH. How about that $16,200,000 to the British dependent overseas territories?

Mr. KINDLEBERGER. The list of British dependent overseas territories covers two pages, and I am afraid that I do not recall what is the major item involved in that. It may well be seeds.

RUBBER GOODS AND OTHER INEDIBLE VEGETABLE PRODUCTS

Mr. WIGGLESWORTH. You have another column that aggregates $128,700,000 for rubber goods and other inedible vegetable products. We just had the item covering rubber this morning.

Mr. KINDLEBERGER. Yes, sir, we have covered rubber, but that did not include rubber goods.

Tires are a significant item in this category. I believe that our exports of tires to the European countries in 1947 amounted to as much as $60,000,000. In addition to that there is some conveyor belting, except for coal mines in this item, and there are included such items as we reexport from this country which are not of domestic origin such as sisal, hemp, jute, and that type of thing. Soap is in this item also. I have indicated some of those in this written preface.

Mr. CASE. This item of rubber goods means processed rubber goods?

Mr. KINDLEBERGER. Of rubber, yes, sir.

Mr. CASE. Where do we get the raw material for that?

Mr. KINDLEBERGER. That has been covered in a separate item, item No. 43.

Mr. CASE. From where does the raw material come for these rubber goods?

Mr. KINDLEBERGER. A small amount of synthetic rubber is produced in the United States. A large amount comes from southeast Asia.

Mr. CASE. You started to say from the British, is that correct?

Mr. KINDLEBERGER. British Malaya is one important source of supply in Southeast Asia.

Mr. CASE. I notice in that one column of the proposed exports from the United States to these countries that $21,700,000 is for the United Kingdom, and $13,100,000 is for the British dependent overseas

territories or a total of $34,800,00[illegible] which is by all odds the largest item in the column, for the United [illegible]ngdom and for her dependent overseas territories.

Mr. KINDLEBERGER. The United Kingdom does not import tires from this country because it has a large British tire industry, including many representatives of a number of American tire companies there.

Mr. CASE. Are they going to get any rubber goods from the United States out of this column?

Mr. KINDLEBERGER. Yes, sir. Let me take a look at my work sheets on that.

Mr. CASE. I was just trying to determine whether or not we were going to import a lot of rubber from British Malaya and these British dependent overseas territories you just testified to and then export in the form of a gift some processed rubber to the United Kingdom and the British overseas dependent territories.

Mr. KINDLEBERGER. I think that would be extremely likely in the case of British Malaya, which has no particularly developed manufacturing industry. That is a frequent practice of international trade.

Mr. CASE. That we will pay them for the raw material and then give them back the raw material in the form or processed goods?

Mr. KINDLEBERGER. No, sir; I was not speaking of whether this will be financed in this way, but——

Mr. NITZE. If you will refer to the small volume, you will see it is not proposed under miscellaneous commodities for the United Kingdom or dependent territories that there will be any ECA financing.

Mr. KINDLEBERGER. That is right. That is on page 37 of the thin brown book, or it can be derived from the justifications as well.

Mr. CASE. That, of course, is sort of going around Robin's barn as to whether you identify it in terms of rubber or dollars to make the balance of payments.

Mr. NITZE. You are quite correct; but there is a relationship of total imports to the United Kingdom to their requirements for ECA financing. That is why this has been detailed in the amounts of those commodity imports.

Mr. WIGGLESWORTH. Are there any further questions on this tiem?

Mr. CASE. I would like to go back to the food column.

The witness referred to Coca-Cola. How much Coca-Cola is involved?

Mr. KINDLEBERGER. I have no idea. I simply indicated there was a small amount of beverages, I think probably less than $200,000 for all countries.

Mr. CASE. Well, you used the term "Coca-Cola."

Mr. KINDLEBERGER. I was merely making clear that we do export a very small amount of beverages from this country, and it happens the particular company I referred to has a world-wide export organization. Beverages are not normally exported from the United States, but this is probably a small amount of sirup.

Mr. CASE. Is it Coca-Cola, Pepsi-Cola, or something else?

Mr. KINDLEBERGER. We do not identify those products by brand in the tariff statistics.

Mr. CASE. But you did use the term "Coca-Cola."

Mr. KINDLEBERGER. I did not mean to do anything more than to illustrate the type of thing that might be in there in a small quantity.

Mr. MAHON. Members of Congress have been receiving considerable mail, Nation-wide, as I understand it, complaining that the Marshall plan program contemplates substantial shipments of wine from this country to Europe. They say Europe is a heavy producer of wine, and there is no excuse for us to send wine to Europe.

DISCUSSION OF TOBACCO EXPORTS UNDER PROGRAM

There is also considerable complaint that the people of the Nation have been led to believe the people in Europe are lacking in foodstuffs and, from a humanitarian standpoint, we are trying to help them. Now they say apparently we are going to send them millions of dollars worth of tobacco, against which they protest that tobacco has no real food value, so far as we know.

Has the State Department received any complaints along the lines I have described?

Mr. KINDLEBERGER. Yes, sir.

Mr. MAHON. Give us the general picture on that.

Mr. KINDLEBERGER. There was a considerable amount of testimony on the subject of tobacco before the House Foreign Affairs Committee and the Senate Committee on Foreign Relations, Secretary Anderson of the Department of Agriculture introduced a statement which appears as the last item in the Senate hearings, indicating that tobacco is regarded as an important incentive good.

Historically, Europe has always imported tobacco from the United States, and it is thought, in the interest of recovery, that some continuation of these exports should go forward until such time as Europe is able to function normally and import tobacco on a normal basis.

Mr. CASE. Even to the extent of sending more than they asked for?

Mr. KINDLEBERGER. There was a statistical difficulty at that point in that the totals of what they had asked for did not include certain items for certain countries. When one adds those countries in, it appears that the total amount planned is not more than the European request.

Mr. CASE. For what did they ask?

Mr. KINDLEBERGER. I am not certain I have the figures in my head.

Mr. CASE. Why did not they include all of the countries?

Mr. KINDLEBERGER. Because the addition was made with a blank for France, and the French historically have bought a substantial figure. There was also a blank for western Germany and Switzerland. And when one added in the normal import requirements for those countries, the total comes out larger than the total requested for the 13 countries.

Mr. CASE. By how much?

Mr. KINDLEBERGER. By about 34,000 tons.

Mr. CASE. I think the table already submitted shows a request for 240,000 metric tons and the March revision of our planners was for 323,000.

Mr. KINDLEBERGER. I am not sure.

QUESTION AS TO WINE

Mr. CASE. What is the picture on wine?

Mr. KINDLEBERGER. The picture on wine is that there has been considerable misunderstanding in this country about wine. There is no wine in this program and none was ever contemplated at any time.

Mr. CASE. Is there any money under the authorization for the ECA of the 5.3 billion dollars which will be spent for wine?

Mr. KINDLEBERGER. No, sir.

Mr. CASE. None at all?

Mr. KINDLEBERGER. None at all.

Mr. CASE. Not even in the form of entertainment expense?

Mr. KINDLEBERGER. I am afraid I cannot speak to that point, sir. I do think it appropriate to say when the Europeans were planning their food picture, they did take account of a good deal of movement of wine in intra-European trade, particularly among France, Italy, and the French colonies.

BEVERAGES

Mr. CASE. Then this $200,000 worth of Coca-Cola is all of the beverage money that is in this fund or in these items?

Mr. KINDLEBERGER. There is a very small amount included for beverages, but they are nonalcoholic.

Mr. CASE. So will their entertaining be done with Coca-Cola instead of other beverages?

Mr. KINDLEBERGER. I respectfully suggest you reserve that question for Mr. Hoffman when he is testifying on the subject.

Mr. CASE. Well, you were the one who testified about Coca-Cola.

Mr. KINDLEBERGER. I was speaking simply as to exports, not about internal consumption.

Mr. CASE. Well, some of the consumption might be done abroad. Will the roving ambassador have any entertaining to do?

Mr. KINDLEBERGER. His imports will not be recorded as imports of the country, because they will come in in bond. I would suggest, further, that I would deem it unlikely that the European countries themselves would entertain the roving ambassador with Coca-Cola.

Mr. CASE. Well, what about his return functions?

Mr. KINDLEBERGER. Such exports as would be involved in that would probably be put in bond and not included in these statistics.

Mr. CASE. You are not prepared to estimate how much that would be?

Mr. KINDLEBERGER. No, sir.

THURSDAY, MAY 6, 1948.

MACHINERY (NOT ELSEWHERE SHOWN)

STATEMENTS OF HARLAN BRAMBLE, INTERNATIONAL RESOURCES DIVISION, DEPARTMENT OF STATE; WILLIAM L. BECK, OFFICE OF DOMESTIC COMMERCE, DEPARTMENT OF COMMERCE

The CHAIRMAN. Do you have a table you can present to the Committee, Mr. Bramble?

Mr. BRAMBLE. I do not have a break-down that I can pass to you in the form of a table, but I can answer questions on the break-down and I can provide you with a list of the types of things if you wish it.

There are reasons that will appear as we go on why we cannot provide such a break-down, specifying by products in one form or another, because the Administrator may have to change his choice of the type of machinery he wishes to authorize.

UNITED STATES EXPORTS OF MACHINERY NOT ELSEWHERE SHOWN TO PARTICIPATING COUNTRIES

I do have here a table of the United States exports of machinery, in those classifications for 1948–49, for 1947, and for 1937 exports at 1947 prices so they can be compared.

The CHAIRMAN. Just how accurate are these figures? First, who got up this table you have handed me?

Mr. BRAMBLE. This table, as was explained yesterday, that is, the table before you, includes a lot more than the table I have now; that table included petroleum and steel equipment, timber equipment, and so on, and as you will note from the note at the bottom of the table I have given you there is an indication of what is not included.

(The table above referred to follows:)

U. S. exports of machinery N. E. S.[1] *to participating countries, estimated, 1937, 1947 and 1948–49*

	1948–49	1947	1937 [2]
Austria	4.0	0.7	1.2
Belgium-Luxembourg	16.0	22.9	6.2
Denmark	4.2	2.3	6.0
France	120.0	87.6	23.4
Greece	.6	8.9	.6
Iceland	1.0	1.6	----------
Ireland	2.6	2.3	.6
Italy	5.0	2.9	4.5
Netherlands	55.0	20.3	6.4
Norway	7.6	6.4	3.2
Portugal	5.0	6.3	.6
Sweden	20.0	34.8	9.4
Switzerland	14.0	15.8	2.8
Turkey	3.0	8.2	1.7
United Kingdom	78.9	59.7	74.6
Germany—Bizone	----------	(3)	(4)
Germany—French Zone	4.0	(3)	(4)
Germany—Saar	----------	(3)	(4)
	340.9	280.9	141.2
Belgium DOT	8.0	2.4	.7
French DOT	30.0	23.9	1.4
Netherlands DOT	35.0	9.8	4.7
Portugal DOT	2.4	3.0	.6
United Kingdom DOT	35.0	14.7	8.0
	110.4	50.8	15.4
Total	451.3	330.7	156.6

[1] Includes construction and road-building, metal-working, food-processing, textile and shoe, office and business, and other industrial machinery. Does not include mining, pumping, well and refining, steel-making, agricultural, electrical, or timber equipment.
[2] Estimated 1937 exports at 1947 prices.
[3] Negligent.
[4] Not available.

BASIS FOR CLASSIFICATION OF MACHINERY

Mr. CANNON. On what basis was this classification made of including one class of machinery and excluding another class of machinery?

Mr. BRAMBLE. The reason is, Mr. Cannon, that we were somewhat forced into this classification because the European countries, when they presented their requirements for this program, included a program for steel equipment, a program for timber equipment, a program for agricultural machinery and for electrical equipment, and so on. Those are scheduled items that you have already been over.

When we were preparing the program the first time we naturally tried to screen the requirements in the form in which they were given to us, as between imports and those that were manufactured over there.

And, we attempted to break the other imports into more detailed and meaningful classifications; and then we had to take what was left and combine them into a group which could be identified roughly.

DISTRIBUTION OF CATEGORIES OF MACHINERY

Mr. CANNON. Will these countries named here get approximately their quota of these classes of machinery, or would one of the countries get all of the metal working machinery, for instance, and another country get all of the textile making machinery?

Mr. BRAMBLE. Of course, the requirements for this type of machinery differ in the different countries, depending upon the types of economy they have developed.

We received, subsequent to the meeting of the 16 countries in Paris, a statement from them of the requirements, which we had asked from them, of the types, as I explained yesterday about chemistry.

They detailed their requirements in dollars for these different classes of machinery that we have listed here, construction and road building, metalworking, food processing, textile and shoe, and so on, of those they expected to obtain from us. We did not get replies from all countries, but we did get replies from the largest countries, which cover perhaps 80 to 85 percent of the total requirements.

Mr. CANNON. Looking at France: She seems to get the largest amount.

Mr. BRAMBLE. That is right.

Mr. CANNON. For 1948–49 the requirements for machinery are shown at 120 million.

Mr. BRAMBLE. Yes.

Mr. CANNON. Is that the quota of France for all these various classifications of machinery, or is that just largely for one class of machinery?

Mr. BRAMBLE. That refers to all classes of machinery.

BASIS FOR ESTIMATE OF REQUIREMENTS

Mr. Chairman, maybe I could explain the way in which these figures were arrived at, so we can understand better what we are dealing with.

In the first place, the prewar picture, although we have included it here, has very little applicability to the problem. The reason for that is that normally the European countries manufacture a great deal

of this machinery for themselves and they were exporters of these types of machinery. But one of the problems in their situation today is the lack of facilities for the production of this machinery, and they are also lacking in the machinery itself, so they have to import from the United States machinery which in the past they had not been in the habit of importing; and at the present time the United States is really the only major source for this additional supply of this type of machinery, besides their own production.

Mr. CANNON. Why is there such a discrepancy in the increase in the amount allocated to France over the other nations? For example, take the United Kingdom, the allocation to the United Kingdom is just about the same for 1937, 1947, and 1949.

Mr. BRAMBLE. That is right.

Mr. CANNON. While in France it is increased by about 600 percent.

Mr. BRAMBLE. France was an occupied country and one of the things the Germans did was to either sabotage or remove the machinery after they moved out of the area. At least, they did not allow replacements.

The United Kingdom on the other hand had built up her machinery more than the other countries, because they were not occupied and had to use machinery in war activities, so they have a lot of capacity to produce machinery that some of the occupied countries on the continent do not have.

Mr. BECK. And I believe the situation in France is in this special category with reference to machinery—NES—that she asked for a great deal more than Britain; there was a natural reason for that; and we had to cut down the amount requested for France.

Mr. CANNON. Will they need to continue to receive that amount say in 1951, or will France have a supply given to her in 1948–49 and drop back to commensurate figures with Great Britain for the rest of the period for this program?

Mr. BRAMBLE. We expect the requirements for machinery, imports of machinery, to fall off faster than the requirements for other items, such as raw materials, and items of that type.

Mr. BECK. Our experience is that the machinery item has to come in a great deal faster in the early years of the program in most fields. One of the things is for machine tools, and for textile machinery, and things of that sort. That is the sort of thing that is most likely to occur.

The CHAIRMAN. You say we are supposed to have exported $265,000,000, prewar, in all this machinery picture, whereas, I presume this 156.6 million dollars that you have here in the 1937 figure would not represent more than 50, 60 or maybe 70 million dollars?

Mr. BRAMBLE. Out of the $286,000,000?

The CHAIRMAN. Out of the $265,000,000.

Mr. BRAMBLE. That would probably represent somewhere around a fourth.

The CHAIRMAN. About a fourth?

Mr. BRAMBLE. Yes, between 75 or 80 million dollars.

May I complete the explanation as to how we arrived at the figure of exports from the United States.

The CHAIRMAN. Yes.

Mr. BRAMBLE. As I said, the prewar figures were not of too much help in this connection because they are requesting machinery that is

of a type they did not ask for in prewar years. What we did was to get an estimate from the most important countries of how much machinery they needed and the result of looking at those estimates was to see that the requirements for European countries was far above what they could receive either from themselves or from the United States.

The next step was to estimate how much the European countries themselves would be able to supply for themselves. That was done by a number of committees concentrating on each country and determining how much that country would be able to export to other European countries. Then we matched what the European countries said they expected to import from the participating country against what the participating country said they expected to export to the participating country and found that they expected to import much more than was going to be exported to those countries. And so we had to cut back the amount that they expected to receive from the exporting country because obviously the exports in this case would be governing.

REQUIREMENTS FOR VARIOUS PARTICIPATING COUNTRIES

AUSTRIA

The CHAIRMAN. Now what sort of machinery would Austria receive? The Austrian item is a comparatively small one.

Mr. BRAMBLE. That is correct.

The CHAIRMAN. I supposed that Austria is quite a mechanized territory. I do not know. What sort of machinery are you going to send over there?

Mr. BRAMBLE. I do not know that I could answer that. A part of it is textile machinery; a part is construction machinery.

The CHAIRMAN. I supposed, prewar, that the Austrian, German, French, and North Ireland territory was the main source of textile machinery. Maybe I am wrong, but that is what I had supposed, and that our people get some of it from there; in fact, to a very large extent.

Mr. BRAMBLE. The Swiss are exporters of textile machinery, and the British are large manufacturers of textile machinery.

The CHAIRMAN. That is North Ireland, is it not?

Mr. BRAMBLE. I do not know where it is located, frankly. But the textile machinery is short all over the world; there is not enough, and as a matter of fact the textile machinery included here is quite small.

Mr. BECK. Austria got a great deal of her textile machinery from Germany, and one of the difficulties Austria is having today is because of the inability to get spare parts that ordinarily would have been handled out of Germany.

BELGIUM-LUXEMBURG

The CHAIRMAN. Belgium-Luxemburg: They either used to make the machinery themselves or else they imported it from Germany; is that right?

Mr. BRAMBLE. Yes. They got some machinery from France and some from England, too. I have a statement here showing the results of the requirements for types of machinery. They expect to import

just a small amount—well it is not so small, but small compared with the total: Construction machinery, $700,000; textile machinery also in the same general order of magnitude.

Metal working machinery is about $5,000,000; office machinery, that is, typewriters, business machines are shown at about $7,000,000.

And then the classification of machinery, which includes a lot of different things, would be about $12,000,000; that was their requirements.

The CHAIRMAN. What is the other amount?

Mr. BRAMBLE. The machinery, other?

The CHAIRMAN. Yes.

Mr. BRAMBLE. It was 12.5 million dollars.

The CHAIRMAN. 12.5 million dollars.

Mr. BRAMBLE. Yes.

The CHAIRMAN. That was their request?

Mr. BRAMBLE. That was their request. We cut that down considerably.

The CHAIRMAN. Do you have a copy of that statement that you can leave with us?

Mr. BRAMBLE. I wonder if I could send that to the committee; this is the only copy I have left. I will be glad to do that.

(The statement is as follows:)

Belgium unprogrammed machinery imports (in value f. o. b.)

	Value $1,000
Construction (Civil Engineering machinery), 1948	700
Textiles machinery, 1948	1, 000
Metal-working machinery (including machine tools), 1948	4, 800
Office machines, 1948	7, 000
Other machinery, 1948	12, 500

The CHAIRMAN. With respect to the metal working set-up, $5,000,000, of what does that consist?

Mr. BRAMBLE. Machine tools, to a large extent.

The CHAIRMAN. They had a set-up for machine tools over there before, did they not?

Mr. BECK. She has been raided a lot by the German forces, and a lot of that machinery was in the eastern zone of Germany, and even though they know where it is they cannot get it back.

The CHAIRMAN. What about typewriters and business machines?

Mr. BECK. They have been cut off from their supplies of bookkeeping and typewriting machines.

The CHAIRMAN. Where did they get them?

Mr. BRAMBLE. From the United States, largely.

Mr. BECK. Germany, prewar, was a very heavy supplier of typewriting machines but they are not available now. Some was secured from France, certain types of special bookkeeping machines.

The CHAIRMAN. Did they not make any themselves over there?

Mr. BECK. I do not believe they have had quite as large a demand or consumption for such products as we have had over here, and in those cases the prices would be higher—too high a price if they got them over here.

The CHAIRMAN. Do they not have enough to supply their needs? I thought the Belgium economy was working pretty good when I was over there. That is what I got.

Mr. BECK. At any time there is manpower shortage there is a heavy demand for office machinery.

The CHAIRMAN. In this miscellaneous item you have set down at 12.5 million, or about half of the whole set-up: What is that?

Mr. BRAMBLE. We had to estimate that from the different types of machines which they took in 1947, what they were aiming for. I have the 1947 statistics here but it would take some little time to go through and pick out all of the machines and give them to you.

Mr. BECK. That is something that was cut; the 12.5 million was a very drastic cut.

Mr. WIGGLESWORTH. You do not know whether they need them or not?

The CHAIRMAN. You do not know too much about it, do you?

Mr. BRAMBLE. We do not know definitely on what projects they are going to put the machines. We feel that is the type of thing that the administrator will have to decide, and if we made up our mind he might change it.

DENMARK

The CHAIRMAN. You have Denmark down for $4,000,000.

Mr. BRAMBLE. Yes.

The CHAIRMAN. What is that?

Mr. BRAMBLE. I can give you something to indicate what the Denmark figures are. I understand that most of it is for metal-working and textile machinery, with some miscellaneous.

The CHAIRMAN. Well, you do not know?

Mr. BRAMBLE. I can get it.

Mr. BECK. That includes machine tools, textile machine tools, ball and roller bearings. In respect to the miscellaneous item, our telegram did not cover more than some 10 or 12 items in every case, and apparently they considered that the request did not cover the demand, because they just threw in miscellaneous items.

The CHAIRMAN. Do you have anything down for France that you can tell us about?

Mr. BRAMBLE. I have the figures for Denmark now.

The CHAIRMAN. Very well, tell us what they are, if you can.

Mr. BRAMBLE. Construction machinery was $100,000; machine tools, $600,000; other metal working machines, 2.5 million dollars; textile machinery, 1.3 million dollars.

The CHAIRMAN. Did you say wood working machines?

Mr. BRAMBLE. Metal working.

Mr. BECK. Other metal working.

Mr. BRAMBLE. Other than machine tools.

Mr. WIGGLESWORTH. You have not attempted to check the needs of these items at all yourself; you are going to leave that all to the Administrator?

Mr. BRAMBLE. It is easier to tell what the general order or magnitude of the requirements would be than to tell what were the needs for any particular plant.

Mr. WIGGLESWORTH. That does not answer my question. I asked you if it is not a fact that you had made no effort to check the

needs for these machines you are telling us about, but you intend to leave that to the Administrator after he gets to it?

Mr. BECK. The amount of machinery——

Mr. WIGGLESWORTH. You can answer that question yes or no and then qualify it.

Mr. BRAMBLE. We have checked it.

Mr. WIGGLESWORTH. You have checked over these particular requirements.

Mr. BRAMBLE. And I will qualify it more in detail.

Mr. BECK. They were checked also by committees.

Mr. WIGGLESWORTH. You say you have checked them.

Mr. BRAMBLE. Yes; but not in detail.

Mr. WIGGLESWORTH. Will you tell us what kind of a check was made?

Mr. BRAMBLE. We compared these with the exports that they received from the United States in 1947 and with the prewar exports which you see here; and we checked that.

Mr. WIGGLESWORTH. What was the result from that?

Mr. BRAMBLE. We saw that the requirements indicated were greater; that the receipts for 1947 were less than they used to get before the war.

Mr. WIGGLESWORTH. So what?

Mr. BRAMBLE. And we recognized that these countries have been shut off from materials, replacement materials, this type of machinery, during the war period, and it was quite reasonable that they wuld need this amount.

Mr. WIGGLESWORTH. That is the basis of the conclusion you reached, what you have just told us now?

Mr. BRAMBLE. That is the basis of my conclusion.

Mr. WIGGLESWORTH. That is all.

The CHAIRMAN. Has anybody made any more check?

Mr. BRAMBLE. The individual people who worked on the countries—there were country committees for each one of these countries, and they screened those figures for more detailed information than I am speaking of.

The CHAIRMAN. What sort of committees were they?

Mr. BRAMBLE. They were interdepartmental committees set up with people from the Department of Commerce, Department of State, and in some cases the Treasury Department; and I think we had some people from the Federal Reserve System; in other words, people in the Government who are familiar with the economic conditions of those countries.

The CHAIRMAN. They were not people who had spent any time over there checking anything; you did not have any representative, to amount to anything, who knew about the operation?

Mr. BRAMBLE. We have, of course, the constant consular reports from these countries; they were made use of also in doing this job.

In addition to that Mr. Tell Berna, of the machine tools industry, was in my office, and he also brought with him men who had returned Europe recently and who are familiar with the machine position in those countries, because it was their business to sell machines over there, and they gave us the benefit of their work. Unfortunately they could not give us any exact figures because those figures just did not exist.

The CHAIRMAN. What can you tell us about France?

Mr. BRAMBLE. In France I think the largest item that they want is in the form of machine tools, which, of course, is the sort of thing that would have been looted by the Germans.

The CHAIRMAN. Why would the Germans have looted that stuff?

Mr. BRAMBLE. First, to keep it from falling into the hands of those who would use it for manufacturing.

The CHAIRMAN. You mean that was looted after the invasion?

Mr. BRAMBLE. That is right.

Mr. BECK. Also the fact that those facilities were bombed; they were the type that produced war materials.

The CHAIRMAN. How much is the machine tool item?

Mr. BRAMBLE. Their requirement was $40,000,000.

The CHAIRMAN. And how much did you allow them?

Mr. BECK. $40,000,000 was screened before; their requirement was $90,000,000 before; that was the amount of orders on the books, and they estimated that $40,000,000 would be required during the first year of the program.

The CHAIRMAN. That $90,000,000 was orders on the books?

Mr. BECK. Actually on the books of industry in France.

The CHAIRMAN. You mean the machine tool industry in France had $90,000,000 of orders?

Mr. BECK. Yes; the American representative of the machine tools concerns gave me that information; he has spent some 26 years in France on machine tools work.

The CHAIRMAN. They have been given those orders, or does that mean that they were supposed to get the orders?

Mr. BRAMBLE. They had——

The CHAIRMAN. They were supposed to get the orders over there?

Mr. BECK. Those were bona fide orders on the dealers' books.

The CHAIRMAN. Is this $40,000,000 on top of that, or is this just taking a part of that off?

Mr. BECK. $40,000,000 is what they required just for the first year of the program.

The CHAIRMAN. That is just for the first year?

Mr. BECK. Yes.

The CHAIRMAN. We are just taking off what they had on their books; is that the idea?

Mr. BECK. No; this is something that has been adjusted.

The CHAIRMAN. Why was it adjusted? You mean you have $40,000,000 for the first year and they have $90,000,000 on their books that we are just taking over?

Mr. BRAMBLE. They have not received the $90,000,000.

The CHAIRMAN. No, but they had orders on their books for that and we are just taking over the payment of that amount?

Mr. NITZE. All of these figures set up in the brown book are estimates of the exports from the United States to these countries regardless of who are to pay for them, if the amount is going to be more than indicated on the commodity sheet.

Mr. BRAMBLE. They may pay for a portion of them.

The CHAIRMAN. What else do you have besides machinery, tool machinery?

Mr. BRAMBLE. Textile machinery. Their requirement was $20,000,000, but that had to be cut. I do not believe they can get anywhere near that amount from the United States.

The CHAIRMAN. What else? Did they have any orders on their books for that?

Mr. BRAMBLE. I do not know.

Mr. BECK. We did not receive that information.

The CHAIRMAN. What is the next item?

Mr. BRAMBLE. Chemical processing machinery, $25,000,000. And I might say with respect to machine tools, that the machine-tool industry in the United States is probably in position to furnish machine tools, whereas for the chemical processing and the textile machinery they cannot do anything like the same extent.

The CHAIRMAN. What else?

Mr. BRAMBLE. Equipment for the manufacture of synthetic fertilizer, $20,000,000.

If you wish, Mr. Chairman, I can put this statement in the record.

The CHAIRMAN. No; I want to get it for my use. What else?

Mr. BRAMBLE. Food processing, 1.1 million dollars.

Tobacco processing, 1.1 million dollars.

Internal combustion engines—that would be what?

Mr. BECK. Those are power units.

Mr. BRAMBLE. Yes, $500,000; ball and roller bearing, $2,000,000.

The CHAIRMAN. Ball bearing?

Mr. BRAMBLE. Ball and rollerbearing. Then there is another item of other machinery which is defined as excluding the types that we have listed, but including other machinery that was not given as special machinery, in the amount of $63,000,000.

The CHAIRMAN. $63,000,000.

Mr. BRAMBLE. Yes.

The CHAIRMAN. That was the request for that amount?

Mr. BRAMBLE. Yes; the total was $188,000,000.

BREAKDOWN OF REQUIREMENTS FOR VARIOUS COUNTRIES

Mr. BECK. Mr. Chairman, I have a copy of a statement which happens to be something from which Mr. Bramble's copy seems to have been made, which includes the different categories. Possibly this would save you a lot of time.

Mr. CHAIRMAN. What is this?

Mr. BECK. It is for the countries from which we have had reports to date.

Mr. BRAMBLE. That is on a 15 months basis, Mr. Chairman.

The CHAIRMAN. These are their requests?

Mr. BECK. That is correct.

The CHAIRMAN. I think we might put that in the record. Do you have any other copies of this?

Mr. BECK. There are no other copies here.

The CHAIRMAN. We can put this in the record after we are through with the break-down.

There are a lot of them outside of this particular set-up. This covers 7 countries out of the 16?

Mr. BRAMBLE. Belgium is not included, although we do have some information for Belgium, which I have given already.

The CHAIRMAN. We will put this statement in the record at this point.

(The statement referred to follows:)

Requirements, other machinery, from United States of America, Apr. 1, 1948, to June 30, 1949

[In thousands of dollars]

	Denmark	France	Greece	Iceland	Ireland	Netherlands	Switzerland	United Kingdom	Total
(a) Construction and road building machinery	$100	$8,000	--------	$250	$1,085	$2,500	$3,445	$8,700	$24,080
(b) Machine tools	600	40,000	--------	100	--------	24,000	5,511	18,500	88,711
(c) Other metalworking machinery	2,500	--------	--------	--------	--------	3,800	--------	--------	6,300
(d) Foot processing machinery	--------	1,100	--------	--------	70	6,400	446	950	8,966
(e) Tobacco processing machinery	--------	1,100	--------	--------	--------	100	182	50	1,432
(f) Textile machinery	1,300	26,000	--------	120	145	18,400	837	17,600	64,402
(g) Electric motors	--------	1,000	--------	125	822	2,500	526	2,150	7,123
(h) Internal combustion engines	--------	500	--------	--------	--------	1,000	1,463	650	3,613
(i) Generator sets and alternators driven by internal combustion engines	--------	--------	--------	--------	--------	--------	--------	--------	--------
(j) Ball and roller bearings	500	2,000	--------	--------	--------	600	598	8,200	11,898
(k) Chemical processing machinery	--------	25,250	--------	--------	--------	16,500	--------	1,000	42,750
(l) Equipment for the manufacture of synthetic nitrogen fertilizer	--------	20,000	--------	--------	--------	0	--------	--------	20,000
(m) Other machinery excluding steel making equipment, electric generator equipment, petroleum equipment, lumber and sawmill equipment, agricultural machinery	2,500	63,350	--------	650	3,400	6,300	2,278	32,910	111,388
Total imports from United States of America	7,500	188,300	$21,250	1,245	5,522	82,100	15,286	90,710	411,913
Total imports from all countries	30,200	287,850	--------	3,530	34,407	206,900	44,925	125,505	754,567

ITALY

The CHAIRMAN. Italy is not shown here.

Mr. BRAMBLE. We did not receive the requirements from Italy, but she is down for a small amount of machinery.

The CHAIRMAN. You did not receive the requirements for Italy?

Mr. BRAMBLE. That is correct; we received no requests.

Mr. BECK. Mr. Chairman, Greece gives you a good example of the screening that has been mentioned, as having been done by the country committees. You will note Greece asks for $21,250,000, whereas we show on the table that Greece has been cut down extremely.

NORWAY

The CHAIRMAN. Norway seems not to have been on the list either.

Mr. BRAMBLE. No. For Norway we have the 1947 imports, but they were not in position to estimate their requirements. Incidentally,

the replies are still coming in from these countries from the requests for their requirements.

Mr. WIGGLESWORTH. In other words, for Norway, you have taken the 1947 imports, in spite of the fact that you received no request for them?

Mr. BRAMBLE. That is right; the estimate is based on the opinion of the country committee, which was familiar with the Norwegian economy.

PORTUGAL

The CHAIRMAN. You received no requests from Portugal?

Mr. BRAMBLE. That is right.

The CHAIRMAN. But you have them down for practically what they had in 1947.

Mr. BRAMBLE. That is right. Of course, we are not proposing that they be financed.

The CHAIRMAN. I understand.

Mr. NITZE. I think it is important to emphasize the fact, Mr. Chairman, that this represents an estimate of the exports from the United States.

The CHAIRMAN. I understand.

Mr. NITZE. With different allocations of ECA financing.

The CHAIRMAN. We have understood that.

SWEDEN

You have Sweden down for $20,000,000, and there seems to have been no request.

Mr. BRAMBLE. That is right; we did not receive one from Sweden.

SWITZERLAND

The CHAIRMAN. Switzerland did pretty well out of this. They have been put down for $14,000,000.

Mr. BRAMBLE. Switzerland will pay for her own.

The CHAIRMAN. I understand. What kind of stuff is covered? They had no destruction?

Mr. BRAMBLE. No. A great deal of that item is for precision machinery.

The CHAIRMAN. Precision machinery. What about that; is that an article in scarce supply?

Mr. BECK. A large amount of that is for machine tools. While the Swiss made some machine tools which we did not make, on the other hand a lot of their production tools are secured from us. And, you will note $5,511,000 worth of machine tools and road building machinery which they do not make at all, is a large item.

The CHAIRMAN. Why would they need a great lot of road-building machinery? We took over a great deal of road-building machinery to fix up roads, and they must have a lot of that some place over there to bring up their supply, and it would seem like there should be plenty of that sort of thing sticking around which would be available for what would be needed.

Mr. BECK. I do not believe that the Army has declared a great deal of that stuff surplus over there, and unless it is declared surplus it is not available to them.

The CHAIRMAN. It is just simply being held?

Mr. BECK. The Army apparently feels it is not to their advantage to let it go over there.

Mr. STEFAN. Do you have that definitely, or are you talking unofficially, about the amount of road building machinery?

Mr. BECK. I am not an Army official, but I know when we want something it is pretty hard to get it.

Mr. STEFAN. I know we always do have difficulty getting it from them, but I was wondering whether you had any official information about it.

Mr. BECK. Well they do not confide in me.

Mr. CASE. That is just an observation, not an answer?

Mr. BECK. Yes.

TURKEY

The CHAIRMAN. Turkey has made no request, I understand; is that about right?

Mr. BECK. That is right.

The CHAIRMAN. But they are down for $3,000,000. Does anybody know anything about that? When we were over there last fall Constantinople was bulging, the piers were piled up and stuff was not moving. There is not much use sending it over there, or having requests coming in and having it tied up for weeks at a time until they have had a chance to unload. I think there ought to be a little sense used in that operation.

Mr. BRAMBLE. I am not familiar with the transportation system.

Mr. NITZE. One of the major bottlenecks in the Turkish situation is port facilities and transportation facilities.

The CHAIRMAN. It is not so much port facilities as it is energy to clean the picture up. They have considerable wharf facilities, but their customs system would not move fast enough to get stuff cleared. That was the situation when we were there.

Mr. NITZE. The reports that I have seen are that there are real physical bottlenecks as well in the transportation setup.

The CHAIRMAN. There may be, but that is not what they talked about when we were there.

UNITED KINGDOM

In the case of the United Kingdom they seem to have been given very close to what they asked for. What kind of machinery are they getting, do you have a break-down of that?

Mr. BRAMBLE. Yes, sir; it is on this other table that we gave you.

The CHAIRMAN. On this table [indicating]?

Mr. BRAMBLE. That is right, machine tools, and so forth.

The CHAIRMAN. Construction and road-building machinery. There must be plenty of that that we had over there with the Army with the operation that we had there.

Mr. BECK. They have asked for a great deal of that type of machinery in connection with their coal-stripping operations which would indicate that they do not have any excess of it, and they are still asking for more of that machinery.

The CHAIRMAN. On the machine-tool item they have asked for $18,500,000. Was not that situation kept up during the war? Did we not have enormous shipments of lend lease and stuff of that character over there?

Mr. BECK. Our machine-tool industry will just thank Heaven for every bit of it that they can ship to England.

The CHAIRMAN. Is this thing set up on the basis of the needs of our industry here for business?

Mr. BECK. This is their request. In this case it does happen to tie in nicely with our ability to produce, and they have been very reluctant to give import licenses for all machine tools, during the dollar shortage, so there must be quite a backlog of demand from the English factories.

Mr. WIGGLESWORTH. Who is going to pay for it?

Mr. NITZE. I think this is one item which is under ECA financing, if I remember correctly.

Mr. WIGGLESWORTH. Well, that means the American people will pay for it.

Mr. STEFAN. We would pay for all of it.

Mr. NITZE. For the United Kingdom machinery in this illustrative distribution——

Mr. BECK (interposing). The United Kingdom is trying to increase their production of certain items which are needed badly all over Europe.

Mr. NITZE. In the machine tool category there are lots and lots of different types of machine tools. It is not possible to say one type of machine tool is equivalent to another type of machine tool. There have been great advances made in them during the war and since the war, and if the United Kingdom is actually going to get greater efficiency in its production it has to get some of these more efficient machine tools from the United States in order to be able to develop its production efficiently.

Mr. WILCOX. Also, most of these machines are high production, automatic or other types of machines which are not made in Europe.

The CHAIRMAN. You mean that they do not make those things over there; is that it?

Mr. WILCOX. In some cases.

The CHAIRMAN. Is that because of this socialistic trend over there?

Mr. WILCOX. It is because of the development of the techniques of the machines.

The CHAIRMAN. In other words, they have not been able to develop their technique because of their hesitancy to do anything that would increase production; is that it?

Mr. NITZE. No; that is not correct, Mr. Chairman. After all, as to these special high-production machine tools, not many of them can be made even in the United States because the market for a specialized tool of that kind is strictly limited. In a smaller economy like the United Kingdom it would not make any sense for them to develop the production of some of these specialized machine tools over there because of the more limited use in their economy. It does make sense for us, who produce these things effectively for our more extensive utilization, to export them to the United Kingdom, and for them not to produce them.

Mr. CASE. At the expense of the increased production that we are going to ask for in aircraft and other things of that sort?

Mr. NITZE. No, as I understand it, these particular types of things are not in short supply here in the United States.

Mr. WILCOX. On the contrary, the manufacturers of them are definitely looking for business because of cancellations of big quantities of orders for machine tools that they have had recently. The manufacturers are very anxious to get orders for them because of the rejection of licenses to countries like Russia, Rumania, Czechoslovakia, and Yugoslavia. There are just lots of machines on order that they are not going to ship because of the license situation, and these people are looking for business.

Mr. CASE. This is a proposal, then, to keep industry afloat at the expense of the taxpayers?

Mr. BRAMBLE. No, sir; that is not correct, sir.

Mr. CASE. You can take your choice of which is more valuable.

Mr. WILCOX. The need for them over there is because of the fact that those large capacity machines are not made in those countries. That is why the need over there arises, but our supply picture is favorable here. I do not think there is any direct connection between the two answers.

The CHAIRMAN. You have food processing machinery, $950,000,000.

Mr. BRAMBLE. That is thousands of dollars.

The CHAIRMAN. $950,000?

Mr. BRAMBLE. Yes, sir.

The CHAIRMAN. All right. Why do they need that? Do they not have plenty of that sort of thing over there?

Mr. BRAMBLE. There again it is a question of the types of machinery that are made in different places. The United States is the greatest machinery producing country in the world, but we also import machinery, and we have been importing food processing machinery at times.

Mr. BECK. Germany was the principal supplier in the prewar period of food processing machinery, but those factories are not available for that purpose now.

The CHAIRMAN. You mean that they do not make anything over there along that line?

Mr. BRAMBLE. They make a great many things but not of this special type, and they export them to get the wherewithal to import.

The CHAIRMAN. Tobacco processing machinery, $50,000.

Mr. BRAMBLE. Yes, sir, $50,000. That is probably for parts for the machines.

The CHAIRMAN. For parts?

Mr. BRAMBLE. Yes, sir.

The CHAIRMAN. Is that machinery that was made here originally or is it made over there?

Mr. BRAMBLE. I cannot answer that question.

Mr. NITZE. I think the American Machine & Foundry Co. here in the United States is the world's greatest producer of tobacco-processing machinery. They make much more efficient machinery than anybody else, and it is used all over the world.

Mr. STEFAN. Do they make machines for making cigarettes, cigars, and so forth, automatic machines?

Mr. NITZE. They make automatic cigar machines and automatic cigarette machines.

The CHAIRMAN. Textile machinery, $17,600,000. I thought Britain and North Ireland were the principal producers of that sort of thing in the old days.

Mr. BRAMBLE. They do not make the automatic looms that we make in this country, and those are the things which are needed by them in order to meet modern competition.

The CHAIRMAN. I do not live in New England, but they tell me that that territory is just as badly in need of automatic looms and that sort of thing as Britain might be.

Mr. BRAMBLE. We recognize that textile machinery is in short supply, Mr. Chairman.

The CHAIRMAN. I wonder to what extent we ought to keep those people from modernizing for the purpose of sending stuff across the seas.

GENERAL DISCUSSION ON CONSIDERATION OF AVAILABILITY OF MACHINERY FOR PROGRAM

Mr. BRAMBLE. As we have stated before, this is what they thought to be their requirements. That does not mean that we are agreed to send $17,600,000 worth of textile machinery to Great Britain.

Mr. CASE. What does it mean then?

Mr. BRAMBLE. It means that that is what they asked for.

Mr. CASE. How much are you proposing to send them?

Mr. BRAMBLE. That depends on the situation. The Administrator will have to determine how much can be spared.

Mr. WIGGLESWORTH. I know but you have given us a break-down here showing that you have given the United Kingdom practically everything they have asked for.

Mr. BRAMBLE. No, not quite. It is $78,000,000 compared to $90,000,000.

Mr. BECK. Regardless of what the State Department might report here there is still the question of whether or not the Commerce Department would grant licenses for that amount.

Mr. WIGGLESWORTH. But it is your opinion that they could afford to license this $78,000,000, or you would not put it in there.

Mr. BECK. No, there is no implication here that we can afford to license that much.

Mr. WIGGLESWORTH. What are these figures here if they do not mean anything?

Mr. NITZE. The over-all amount for the United Kingdom is the amount which the Department of Commerce thinks could be made available. With respect to the individual distribution between particular types of machine tools, and textile machinery, in particular, the supply situation here in the United States would be taken into account on the individual items. This does not give you the individual types of machine tools and machinery which would be included.

Mr. CASE. 4 is all right, but 2, and 1, and 1 are not? How do you get the 4?

Mr. NITZE. There are certain types of machinery which the textile mills have been able to catch up on here in the United States. Some items are not in as short supply as others. So, it depends upon what character of machinery you want as to whether it is given an export license.

Mr. CASE. It is just dodging around when you say export license control on the question as to whether we can export $78,000,000

worth of this machinery. Then when we next ask what is the $78,000,000 for, you just dodge the question and you do not give us a direct answer. How could they know whether the $78,000,000 worth of machinery would be exportable unless they knew what the components of the $78,000,000 were?

Mr. BRAMBLE. We can estimate that the ability of the United States to export these types of machinery will not be greatly different than it was in 1947 because we were able to do it then, and we have tried to keep the limits of availability to Europe within reasonable bounds compared with that.

Mr. WIGGLESWORTH. Well, as I read this table you exported $280,000,000 in 1947, and you are going to export $341,000,000 in 1948–49.

Mr. BRAMBLE. There should be added to that, sir, that the exports of machinery to Europe were very heavy in the first half of last year, but when the dollar shortage arose a great many of the orders were cancelled, and the shipments fell off greatly in the last part of the year. In other words, if our exports in 1947 had continued at the rate that they had been going in the first three-quarters of the year they would have been within 5 percent of the figures that we have here.

Mr. WIGGLESWORTH. But they did not.

Mr. BRAMBLE. But that was not because of the lack of the ability on the part of the United States to export them, but rather on account of the lack of the ability of the European countries to pay for them.

Mr. CASE. Is this $78,000,000 ECA financed?

Mr. BRAMBLE. No; not all of it.

Mr. NITZE. The larger part of it is.

Mr. CASE. The larger part of it is?

Mr. NITZE. Yes.

Mr. CASE. Then the situation is that some of these countries placed orders last year and they were forced to cancel them because they lacked the dollars to go through with them and now the proposal is that we shall export dollars so that they can go ahead with those orders, where we will use dollars coming from the New England manufacturers who cannot afford to retool their plants themselves?

Mr. BRAMBLE. That is the function of the Administrator to see that these orders do not impinge on the ability of the American industry to meet its requirements.

Mr. CASE. I was thinking partly about the ability of the American industries to put up the dollars to refinance their own retooling and also to finance the retooling of the European countries which cannot put up the dollars.

Mr. BRAMBLE. Of course, the dollars with which to pay for this machinery for European countries comes from everyone in the United States, and not just from one section.

Mr. CASE. Has any consideration been given to asking advisory committees of the industry in such fields to sit in and pass upon and counsel upon the machinery to be exported and to whom it is to be exported?

Mr. BRAMBLE. You mean in the preparation of the estimates?

Mr. CASE. Take in the textile field, for instance.

Mr. BRAMBLE. Yes.

Mr. CASE. When we build up the textile industry and modernize the textile industry of Europe I would think that that would be of some concern to the textile industry in this country.

Mr. NITZE. Yes; that is being done right now, Mr. Case.

Mr. CASE. Would you say, then, that the textile industry of this country approves of taxing itself to finance, re-equip and remodernize the textile factories in England and north Ireland?

Mr. NITZE. As I understand it what the industry itself is being asked to give its views on is the availability of the given type of equipment in the United States and the desirability of the use of it in the foreign country.

Mr. WILCOX. That is right, and the other problem which has to do with the licensing comes up in connection with the Office of International Trade, and those panels are being set up now for these items.

Mr. CASE. I thought Mr. Nitze rather qualified it by limiting it to two things that were being asked for. That was not quite as broad as the question I asked.

Mr. NITZE. I did not mean to cover quite the same field. One does not ask the industry about the domestic taxation features.

Mr. BRAMBLE. I may say that the contacts with the industry were mostly outside the field of the State Department, but I did have a number of industrial people who came in on their own hook to talk to me personally about this matter.

Mr. CASE. How did they happen to come in on their own hook?

Mr. BRAMBLE. They were interested in the effect this program might have upon the domestic situation. They were manufacturers who manufactured for export and for domestic use.

Mr. CASE. And did they come in to commend you or to protest?

Mr. BRAMBLE. They came in for information, and as a result of that discussion both of us had a better understanding of it.

Mr. BECK. During the past year several American textile machinery manufacturers have set up quotas for export to different parts of the world, like 50,000 spindles for the Near East or Brazil or for India, and have shown a definite increase in export which they did not have prior to a year ago.

DISCUSSION OF LEVEL OF PRODUCTION TO BE ATTAINED IN PARTICIPATING COUNTRIES

Mr. CASE. Coming back to the problem that is in my mind, repeatedly it was suggested by the observation of a man in the British military government who talked to me quite frankly one evening about this matter, who said you know, of course, that when we get all this done, or we get these countries built up that we are proposing to rebuild as proposed under the Marshall plan, when it comes to taking care of output prices will be cut to ribbons, and we have to look ahead and see what is going to happen then. I am quoting that phrase exactly, "prices will be cut to ribbons," as to what he said, and he was looking ahead on the thing. It seems to me that we are not entirely foresighted when we tend to build up a situation where that will result at our expense.

I am not thinking merely of the United Kingdom but of the other countries in Europe. In many places where I heard testimony on

what they wanted to do, the local committees would come in and they were accustomed to thinking of their traditional production, whether it was in porcelain, optical goods, or precision tools. You take in south Germany, in the French zone, and in Switzerland and that area through there that is a field in which they have had a certain amount of skill and historically they have produced a good deal of it, and they are looking to getting back there, and many of those local communities are expecting us to build them up in fields that are highly competitive with other points immediately around there. Then when that is done, what have we done?

Mr. BRAMBLE. That was taken into account and you will find in every case that the expectations of these countries are greater than we thought that they could attain and maintain; we have cut down their requirements in that sort of thing.

Mr. BECK. I think I understand what you are getting at, Mr. Case, and from my point of view I do not see how these countries are going to substantially double their exports which, apparently, their economy demands, and which this plan is going to help them to do, if they are going to cut their prices. If you export from scarcity in order to get dollar international exchange you have to keep your prices up.

Mr. CASE. That is why I am afraid the thing will collapse because you just will not get the prices.

Mr. BECK. They will collapse if they start cutting prices which they cannot afford to do.

Mr. CASE. Whether they seek to do it intentionally or not, if you get a glut of products the prices fall.

Mr. BECK. Well, most of those places have to export the majority of their products to a pretty high degree.

Mr. CASE. What will happen when your factories are modernized and step up their production 100 percent or 200 percent and the output is there and they cannot get export licenses? The factories will shut down and then where are you?

Mr. BECK. I would say they would not get export licenses if they would just start to run down their economy by ruinous price cutting. That is just sound business management on the part of these countries.

Mr. CASE. They may not get to the export licenses, but when they have produced all they can consume internally and they cannot sell any more internally, what will they do? They will close down.

Mr. BRAMBLE. Of course, Great Britain will have to increase her exports a great deal beyond what they are now.

Mr. CASE. I want to pursue that just a little bit further. In the figures which have been submitted to us on the industrial production levels of these countries, the figures in the Myrdal report, practically all of these countries in 1947 were above the 1938 production level, with one notable exception, which was Germany, which was 37 percent.

Mr. BRAMBLE. That is right.

Mr. CASE. In many of these fields in which you are proposing to build these countries up, Germany was a notable producer before the war.

Mr. BRAMBLE. That is right.

Mr. CASE. That is a good exemple, but you have not any suggestion here for the German bizone, or the German Saar and only a small item for the German-French zone.

Mr. BRAMBLE. That is right.

Mr. CASE. What this proposes to do, then, is establish a higher level of production in these other countries in these particular fields and not to bring Germany back even approximately because she was only 37 percent of 1938, and these other countries average over 100 percent now. Then what happens? The American taxpayer is called upon to feed Germany because of Germany not being on a self-sufficient production level. When you have built these other countries up so that they take the market which would normally be the German market, then how are you ever going to get a self-sufficient Germany?

Mr. BRAMBLE. I do not believe that there is any tendency in these figures to try to hold Germany down at all. As I understand it the bizone in Germany has a large machine-tool and other machinery producing capacity of its own.

Mr. CASE. Exactly, and that is why that machine producing capacity in Germany ought to be producing some of these things to put it on a self-sufficient production level rather than taking away what would normally be the German markets so that the American taxpayer is called upon to feed Germany.

Mr. NITZE. In developing the whole 4-year ECA program they did develop figures that show as the export deliveries increase the imports also are accelerated. Is that correct, Colonel?

Colonel BLUMENFELD. It is significant to note that there is practically no finished equipment or machinery going into Germany, but her own production is being taken into consideration and that she, herself, will actually be a very large exporter of machinery and of finished equipment during the 4-year program, and as the program has been developed in the bizone by the United States and the United Kingdom, and the Germans themselves, they expect by the end of the fourth ECA year that their own industry will be up to about 100 percent in the industries such as ceramics, steel equipment, electrical equipment and that type of equipment. So I think Mr. Nitze's statement is true, just as the other countries are being raised Germany also is being raised, and we hope in the finished equipment field, which is their traditional field, that it will be accelerated rather than in coal, timber, and potash, which from Germany's standpoint are uneconomical exports, since they are greatly needed in Germany's internal economy because they are materials which are necessary to develop her own finished and processed machinery exports. For example, I have here a statement on the commodity contracts signed in the first 2 months of this year in Germany. There is a substantial amount of exports, such as general purpose machinery and equipment, electrical apparatus, special industrial machinery, agricultural machinery, and so forth. As it now stands we are about 44 percent of the 1936 level, which compares very unfavorably with the other countries.

In 1947 out of our $64,000,000 worth of industrial imports I would say we imported a very small percent of finished machinery. We are asking for the import of some textile machinery and some spare parts, and I think in the brown book break-down they show under miscellaneous commodities rather than under machinery. In the augmented program we plan to increase our industrial imports from, say, $64,000,000 in 1947 to approximately $1,000,000,000 in the first year

of the ECA program, a good portion of which will be financed by our own exports. By far the largest part of these imports will be raw material not finished equipment manufactures.

Mr. CASE. When you have been saying, "we" and, "our own" you are referring to bizone Germany?

Colonel BLUMENFELD. Yes, sir.

EXPORT TARGET FOR BIZONAL GERMANY

Mr. CASE. What was the export target for bizone Germany in the last fiscal year?

Colonel BLUMENFELD. The total industrial exports from Germany in 1947 were approximately $225,000,000.

Mr. CASE. How much were they actually?

Colonel BLUMENFELD. That was the actual receipts in dollar value.

Mr. CASE. What was the goal or target?

Colonel BLUMENFELD. I did not know that they really had a target.

Mr. CASE. General Clay announced it; what was it?

Colonel BLUMENFELD. For 1947?

Mr. CASE. Yes.

Colonel BLUMENFELD. At the beginning of the year I recall that our target was about $350,000,000 total.

Mr. CASE. $30,000,000 a month?

Colonel BLUMENFELD. Yes; approximately.

Mr. CASE. What did you actually attain?

Colonel BLUMENFELD. We actually reached $225,000,000, and that includes coal, timber, and potash which, as you know, were the principal exports and will be for probably the first 2 years of the ERP program.

Mr. CASE. The point is then that Germany did not even reach her target by reason of the policies that were pursued by holding down the industrial level and through other related policies, and yet in the face of that, in spite of the target which was set, because it was essential for Germany to get on that level, we are proposing to finance and to advance to all other countries certain particular items in areas which will increase the disparity between Germany and them, and we pay both ways. We pay through feeding Germany when she is not self-sufficient, and we pay for food and advances to these other countries and advance the disparity between them.

Colonel BLUMENFELD. Yes, sir. I agree with you 100 percent although I do not believe it was the result of military government policy, but rather the need for modernizing dollar exports. I would like to clarify that and to speak on how this is going to affect the other economies. The $803,000,000 target which was developed is even more optomistic than our own expectation. I know Mr. Draper will say this when he testifies, but we have purposely, and the governmental authorities in Germany have purposely, insisted that the Germans set their target high. The figure was $695,000,000 which the Germans felt they could develop in the way of exports.

Mr. WIGGLESWORTH. Dollars?

Colonel BLUMENFELD. It is $695,000,000 of exports, including exports to all of the participating countries.

Mr. WIGGLESWORTH. That is measured in dollars?

Colonel BLUMENFELD. Yes, sir; $695,000,000 to all countries.

Mr. CASE. That is three times the actual amount last year.

Colonel BLUMENFELD. That is right; and there is a very significant point in our export targets, and that is that whereas last year we exported $222,000,000, in the first 2 months of this year we have signed export contracts for $88,000,000.

Mr. CASE. Yes; but unfortunately, signing contracts is not the same thing as actual export deliveries.

Colonel BLUMENFELD. Yes, sir; those short-falls do occur, but yet when we expected $360,000,000 last year we got $222,000,000. This year in the first 2 months I believe we exported certainly not that amount, but not too disproportionate an amount of it. The main reason is if we make $88,000,000 worth of contracts in the first 2 months we do not expect to make deliveries on them immediately.

Mr. CASE. There would be some lag between the contract date and the delivery date, but sometime between you would have to have a check-up to see how you are making it.

Colonel BLUMENFELD. Mr. Draper will tell you he thinks the $803,000,000 is a very optimistic figure, and yet the Germans themselves developed a figure of $695,000,000. I agree that it is a target, and we may miss it by a substantial amount. If all of the reforms suggested are made, and if we have a currency reform, and if we have additional food which will cut down the hoarding of raw materials, and as a matter of fact their materials have been used up because they have been using up their stocks and reserves to build up their economy, and if we get a flow of raw materials over there that $803,000,000 may not be an unreasonable target. It is rather optimistic, but it is not unreasonable.

Mr. CASE. Then if that $800,000,000 target should be reached, and the successive year's target is reached, what happens competitively with these other countries?

Colonel BLUMENFELD. I am not too well qualified to speak on that. I know that the other countries have made all of their plans on the assumption that the market will not collapse, and if the market collapses the whole plan will not work out.

PRODUCTION IN BIZONAL GERMANY

Mr. CASE. What was done last month?

Colonel BLUMENFELD. In production or exports?

Mr. CASE. Both.

Colonel BLUMENFELD. I have the production figures. These are the first 2 months of 1948 compared with the first 2 months of 1947.

Hard coal, which we agree is not a representative one, was 20,000,000 tons in the first 2 months of this year compared with 17,000,000 in the first 2 months of 1947. Brown coal was 16,000,000.

Mr. CASE. Is that per month?

Colonel BLUMENFELD. No, sir; that is for the first 2 months.

Mr. CASE. For the first 2 months?

Colonel BLUMENFELD. Yes. So, you multiply this by six to get the year figure.

Brown coal was 16,000,000 tons as compared with 14,000,000 tons.

Mr. CASE. Do you have the prewar figure there for the same months?

Colonel BLUMENFELD. No, sir. It may be on those charts. I have a lot of charts here which I had planned to use later.

Mr. CASE. Suppose you put in the prewar figure for the same months.

Colonel BLUMENFELD. All right, sir.

(The matter referred to may be found in connection with GARIOA.)

Colonel BLUMENFELD. Ingot steel in the first 3 months of this year was 947,000 metric tons and in the first 3 months of 1947 was 504,000 metric tons.

Pig iron increased to 826,000 metric tons in the first 3 months of this year and in the first 3 months of 1947 it was 457,000 metric tons.

Mr. CASE. These are bizonal figures?

Colonel BLUMENFELD. Yes, sir.

I have made up some statistical data which includes all of this, which I was going to give yesterday, but in view of the chairman's request to have GARIOA presented completely I plan to present this later or put it in the record.

Mr. CASE. Set forth in all of them?

Colonel BLUMENFELD. Yes, sir, in all of them. In trucks it is 4,451 units produced as compared with 2,001 units in the comparable quarter of 1947.

Potash and nitrogen are comparatively small.

Mr. CASE. Do you have anything else in these categories, road-building machinery, machine tools, other metalworking machinery, food-processing machinery, tobacco-processing machinery, textile machinery and other industrial machinery?

Colonel BLUMENFELD. Trucks is the nearest one we have given so far. For example, I have car and truck parts and electric power generation, and most of them are of a similar kind. I have the export contracts signed and I can give you the items there.

Mr. CASE. What was the amount of your contracts signed for the first 2 or 3 months or whatever it is?

Colonel BLUMENFELD. The contracts are only on the first 2 months, and I believe the figure was $88,000,000.

EXPORTS FROM BIZONAL GERMANY

Mr. CASE. What were your actual exports in those 2 months?

Colonel BLUMENFELD. The export deliveries in the first 2 months were $62,500,000.

Mr. CASE. Would your tables there show what your export contracts signed in the first 2 months of last year were?

Colonel BLUMENFELD. No, sir. We have the total figure of $222,000,000, and you might roughly say one-sixth of that. Of course, that is the amount of actual deliveries, and $222,000,000 divided by 6 would be the comparable deliveries.

Mr. CASE. I wondered how your deliveries compared with the first 2 months' deliveries in 1947.

Colonel BLUMENFELD. This (chart 6) shows it on a year basis, and the next one (chart 7) shows it on a 2 months' basis. These are the deliveries [indicating], and these are the contracts.

The chart here (chart 7) shows that in the first 2 months of 1947 the total deliveries are $19,700,000, and in the first 2 months of 1948 they were $62,400,000.

The total contracts, for comparison, signed in the first 2 months of 1947 were 10.2 million, and the contracts signed in the equivalent 2 months of this year were $88,200,000.

IMPORTANCE OF CURRENCY REFORM TO GERMAN EXPORT TRADE

Mr. CASE. Do you anticipate that the exports will be enlarged by this currency reform which you mentioned, Colonel?

Colonel BLUMENFELD. We think that the only chance to achieve these exports will be due to currency reform. Without this, the willingness of the German to work is still not there. What exports we are now getting are due primarily to these artificial stimuli which we have now, such as the export bonus which we are paying the manufacturer who sells for export. He gets a 5-percent bonus to use for consumer goods for his own factory employees. If he had currency that had some value in the economy and in the international markets there would be a natural impetus that would come with that stability of currency.

Mr. CASE. Do you regard this increase in exports by Germany essential to her getting on her feet and off of the backs of the American taxpayers?

Colonel BLUMENFELD. Yes, sir; it is a sine qua non to any recovery. I think the fundamental requirement is that we have sound currency and reform and stability in German's internal economy.

Mr. CASE. And in order to make exports you have to have export markets.

Colonel BLUMENFELD. Yes, sir.

Mr. BRAMBLE. We must recognize that the European countries will have to export at a higher rate quantitywise than prior to the war in order to maintain the same position because they have lost some of the other income that came from invisible items, for one thing, such as investments that they had in foreign countries, and, of course, to the extent that those countries are no longer paying interest on those investments they do have the purchasing power with which to buy those exports.

Mr. CASE. And these various countries here that we have been talking about, this whole list here where we are retooling them, will need more export markets?

Mr. BRAMBLE. That is right.

Mr. CASE. And Germany will need more export markets?

Mr. BRAMBLE. Yes, the export trade perhaps will have to be larger than before the war.

Mr. CASE. Where will those markets be?

NEED FOR INCREASE IN LEVEL OF WORLD TRADE

Mr. BRAMBLE. There is really no limit of the extent to which the markets in the world can be increased. It is just a question of the level of trade that countries can reach. If you can manage to reduce the barriers to trade between countries the general level of trade can be increased to the point where they can take care of themselves actually.

The CHAIRMAN. Have you really sized up and analyzed where the trade is going to come from?

Mr. BRAMBLE. I cannot tell, of course.

The CHAIRMAN. Has there been an analysis made of the trade situation by anybody who grasps the situation?

Mr. BRAMBLE. Just to take one example, it would require only a one or two percent increase in the southeast Asia imports to take up practically all the imports in these things that Europe could produce.

Mr. CASE. In southeast Asia?

Mr. BRAMBLE. A 1 or 2 percent increase in the standard of living because there are so many people there.

Mr. NITZE. This problem is one of the problems that was considered at the time the 4¼-year estimates were worked out. I might read some of those.

Mr. CASE. Before you do that, the chairman asked where these markets were going to come from. A little while ago one of these gentlemen stated——-

Mr. BECK (interposing). My name is Beck.

Mr. CASE. Mr. Beck suggested when these industrial levels had reached a point where there would be problems of competition for markets that they could apply export controls and avoid having the prices injured by keeping countries from exporting what they have been built up to produce, so they will not need the markets and they will keep the stuff inside of their own countries.

Mr. BECK. Europe is very much interested in supplying her own needs for goods, and our participation in supplying Europe is small compared to Europe's participation, and what we do have a stake in is that our export markets have always been greatest to the most prosperous manufacturing nations.

Mr. CASE. That is, you would solve the matter by having heavier trade amongst people in the highest economic levels and the other gentlemen would solve it by increasing the demands of southeastern Asia.

Mr. BECK. Right now our best markets have proved to be those in the great, highly industrialized nations because they have the buying power, and your great potential markets in the future might well be in the Far East where they have large population.

Mr. CASE. Of course, I would agree that there has been a generally rising industrial level and demand for goods the world over historically, but that has to come, in my personal opinion, as sort of a natural growth and I do not think that you can overstimulate it and do it in the way that we are proposing to do it here without having to face the possibility of some critical situations.

I think the building up of the German economy at least to its prewar level in these activities is better than forcing development in the surrounding countries and then expecting Germany to come up, too, and have that competition for the market.

Mr. BECK. Asia, in 1946, took only 6.6 percent of the exports, and in 1947 they took 12.7 percent.

Mr. CASE. What did they pay for them?

Mr. BECK. I do not have that information, but they were paid for in 1947, certainly.

FRIDAY, MAY 7, 1948.

ADMINISTRATIVE SERVICE

STATEMENTS OF PAUL G. HOFFMAN, ADMINISTRATOR, W. AVERELL HARRIMAN, UNITED STATES SPECIAL REPRESENTATIVE, ECONOMIC COOPERATION ADMINISTRATION; WILLIAM C. FOSTER, UNDER SECRETARY, DEPARTMENT OF COMMERCE; PAUL NITZE, SPECIAL ASSISTANT TO THE UNDER SECRETARY, DEPARTMENT OF STATE; AND F. R. CAWLEY, ACTING BUDGET OFFICER, ECONOMIC COOPERATION ADMINISTRATION

The CHAIRMAN. I have asked you gentlemen to come down here to give us a little picture of your activities and personnel set-up, so that we might have an idea of what that would involve from a dollar standpoint. Now, which one of you is the first witness?

Mr. HOFFMAN. Mr. Chairman, do you mean for the entire operation or for the European end of the operation, or both?

The CHAIRMAN. I would figure that Mr. Harriman's operation would probably be separate from yours, the way it is set up. That is the way I understood it, and I would figure that we should get it separately as far as we could because that would probably be the easiest way to give it to us, and perhaps you might give yours, and Mr. Harriman might give his. Whichever one goes first does not make any difference to me.

Mr. HOFFMAN. I can tell you very quickly about our organization up to the moment, Mr. Chairman.

The CHAIRMAN. I do not care about what you have. What you have would be purely incidental. I appreciate that your organization currently is probably a minor item as compared with what it might be, and I would presume that probably Mr. Harriman's might also be in the same category, but what you contemplate is what I am trying to get a picture of so that we can get any idea of what it might be.

Now, I will take you first, Mr. Hoffman. We ought not to have to be too long with this particular set-up.

PERSONNEL PRESENTLY EMPLOYED

Mr. HOFFMAN. Sir, we have not changed our original idea, which is to keep this organization as small as possible and as compact as possible here in Washington. Up to the present time we have a total of 206 people working for us.

Mr. KEEFE. What is that, 60 what, please?

Mr. HOFFMAN. Do you have the exact list there, Mr. Cawley?

The CHAIRMAN. You have 60 permanent employees?

Mr. HOFFMAN. No; 60 employees are on reimbursable detail, are they not, Mr. Cawley?

Mr. CAWLEY. Yes, sir.

Mr. HOFFMAN. We also have 30 consultants and 112 regular employees. That is the total of our present employment.

Mr. CAWLEY. There is one correction on that, Mr. Hoffman. It is 116 regular employees.

Mr. HOFFMAN. Yes; 116 permanently employed, 30 consultants, and 60 on reimbursable detail.

I would say that when the organization rounds out it will be in the neighborhood of 500. That would be about where I think it will go. We cannot be too certain of that yet.

CONSULTANTS

The CHAIRMAN. These consultants are temporary employees or permanent?

Mr. HOFFMAN. Some of them are temporary, and some are permanent.

The CHAIRMAN. All of the 30 are temporaries?

Mr. HOFFMAN. Of these 30 people whom we have as consultants some will remain as consultants, and some of them will go back home as soon as we can find permanent people to take their places. I can give you a break-down of them.

The CHAIRMAN. And some of them may be called back?

Mr. HOFFMAN. For example, Calvin Hoover probably will spend a couple of days a week with us up here; it may be a total of less than that, 4 or 5 days a month. We have other consultants in this list who are in a similar category.

Mr. WIGGLESWORTH. When you say that you contemplate a force of 500 here, how many consultants will that include?

Mr. HOFFMAN. Well, I would say that it would be a few more, but not many more than the present list, because we are trying to shift these people out of that list to this staff that is permanent. For example, Mr. Bissell is listed as a consultant.

Mr. WIGGLESWORTH. He is Director of Operations?

Mr. HOFFMAN. He came down here hoping to go back home in about 30 days, so we put him on the basis of a consultant.

Mr. WIGGLESWORTH. He is not going to be Director of Operations?

Mr. HOFFMAN. His title is going to be Assistant Deputy Administrator, and, of course, that implies Director of Operations. That is Mr. Bissell. We will shift him over very quickly, and there are about a half a dozen people that we will shift over at the end of their first months with us.

Mr. WIGGLESWORTH. Well, is Mr. Bissell going to be Director of Operations or not?

Mr. HOFFMAN. He is going to be Director of Operations with the title of Assistant Deputy Administrator.

Mr. WIGGLESWORTH. That is a full-time job and not on a consultant basis?

Mr. HOFFMAN. He will be shifted over just as soon as we can shift him over, but we had to persuade him to stay down here.

Mr. WIGGLESWORTH. You mean you contemplate an over-all set-up here of 500 people with perhaps 30 or 40 consultants included in that number?

Mr. HOFFMAN. I think so; yes, sir.

BREAK-DOWN OF CONTEMPLATED PERSONNEL IN WASHINGTON OFFICE

The CHAIRMAN. Do you have a memorandum indicating any kind of a break-down of this that we could put in the record? I do not want to put their names in the record as that is not a desirable thing to do, but do you have any kind of a break-down that we could put in the record?

Mr. HOFFMAN. The enabling act provides us with the opportunity of employing 100 people outside of civil service at a compensation of $7,500 up to $10,000, and 25 at between $10,000 and $15,000 so that we are not going to have over 25 people who make over $10,000 a year on a regular basis.

The CHAIRMAN. I know. I am not trying to put individual people on the spot by indicating what salary they are drawing or anything like that, so I do not want to ask to have that put in the record, but I do think that we ought to have some kind of a green sheet which gives sort of a break-down that would indicate what your personnel might be.

Mr. HOFFMAN. We can give that to you, Mr. Chairman.

The CHAIRMAN. Do you have something of that character?

Mr. CAWLEY. Mr. Chairman, I have already supplied a table for the record, and it is included earlier in these hearings, when you first discussed the administrative service, the over-all detail, showing, for example, the domestic service.

The CHAIRMAN. Do you have another copy of that?

Mr. CAWLEY. Yes, sir; I have copies of it for all of the members of the committee. It shows a maximum of 500 full-time employees in the domestic service and approximately 30 man-years in consulting services, and in the overseas service showing approximately 1,000 employees, of whom 300 are aliens.

(The exhibit referred to may be found on p. 15.)

The CHAIRMAN. Now, you would not expect that set-up to be recruited by the 1st of July.

Mr. CAWLEY. Sir, I have provided a full 2 months' lapse in those figures. I have taken out one-sixth of the requirement to account for the delay in filling positions which would mean that we would probably reach our peak some time in September or October.

Mr. WIGGLESWORTH. Where is the break-down on that 500 employees, Mr. Cawley?

Mr. CAWLEY. We have no green sheets giving that break-down, but, as the Administrator has indicated, we do have a list of some of those persons.

The CHAIRMAN. You might leave one of those lists, if you have it, for the committee, but I do not want to put that list into the record.

Mr. CAWLEY. This gives the titles that might be incorporated.

The CHAIRMAN. Do you have more copies of that?

Mr. CAWLEY. Yes.

Mr. HOFFMAN. I think we better furnish you with a green sheet if you want it.

Mr. WIGGLESWORTH. Can you not give us a tentative administrative break-down that shows in a general way how you contemplate utilizing these 500 people?

Mr. HOFFMAN. We can do that. It might take us a couple of days to do it. Is that all right?

The CHAIRMAN. Oh, yes; that is minor.

Mr. WIGGLESWORTH. But Mr. Hoffman tells us that he has arrived in his own mind at the kind of a set-up which he thinks will call for 500 people here in the Department.

Mr. HOFFMAN. We can give the break-down of that, sir. It will be tentative.

Mr. WIGGLESWORTH. Yes, I understand that.

Mr. HOFFMAN. There is no reason why we should not do that.

Mr. WIGGLESWORTH. I personally would like to get some idea of the organization you have in mind, both at home and overseas.

Mr. HOFFMAN. This home organization is a little bit easier to get down into categories now than perhaps the overseas force, but we can try to give both. We can certainly give you the home organization fairly accurately.

Mr. CAWLEY. That would be a detailed list of the positions anticipated to be filled, supporting that estimate of 500 people?

Mr. WIGGLESWORTH. Yes; or an administrative break-down of the number of persons that you expect will be necessary in each category so that we can get an over-all picture of the thing more than just a statement that you are going to have 500 people here. That does not give us a picture of what you have in mind.

Mr. HOFFMAN. We can do that for you, I think, with reasonable accuracy.

(The information requested may be found on pp. 807 et seq.)

TRANSFERS TO STATE DEPARTMENT FOR HOUSEKEEPING ACTIVITIES

Mr. STEFAN. How much are you transferring to the State Department for housekeeping activities?

Mr. CAWLEY. Mr. Stefan, we provide a total of $4,000,000 for reimbursement to other agencies, of which it is estimated that the State Department will receive approximately $666,000 in this country.

Mr. STEFAN. Here?

Mr. CAWLEY. Yes, sir.

Mr. STEFAN. $666,000?

Mr. CAWLEY. That is correct, sir.

Mr. STEFAN. And how much overseas? They do your housekeeping overseas too, do they uot, and they take care of your pay rolls and everything, do they not?

Mr. CAWLEY. Yes, sir. By utilizing the overseas facilities of the State Department and their employees in certain of the cities, we have been able to reduce our estimate by $1,500,000. We will have to provide some funds for this service, but that has not been fully determined as yet. Our total budget has worked out to about $18,000,000.

Mr. STEFAN. The administrative budget is $15,000,000, as I understand it.

Mr. CAWLEY. The revised administrative budget was $18,000,000 before the decision was made to utilize State Department administrative facilities overseas.

We estimate that we can save $1,500,000 by the utilization of State Department administrative services abroad and another $1,500,000 by the utilization of local currencies abroad.

Mr. STEFAN. So that you have trimmed that down to $15,000,000?

Mr. CAWLEY. Yes, sir; down to $15,000,000.

Mr. STEFAN. What I would like to find out is how much you are going to reimburse the State Department for their overseas administrative work, as they will take care of your pay-roll and housekeeping work over there

Mr. CAWLEY. That is right.

Mr. STEFAN. You are giving them $666,000 for their housekeeping work here, but let me have, as nearly as you can, what you are going to give them over there.

Mr. CAWLEY. Yes, sir. I will have to provide that for the record, Mr. Stefan.

Mr. STEFAN. And I would like to have that pretty soon because we are going to go into conference on that regular bill pretty soon.

Mr. CAWLEY. Well, these are for services in addition to those that they perform in their regular operations.

Mr. STEFAN. They went over to the Senate and got some increases above the House figures, and I understand that they based those increases on some of the work they will have to do for ECA. That is what I understand, and I would like to know what transfers are being made to them.

Mr. CAWLEY. I would like to have the record show that the $666,000 provided for reimbursement in Washington to the State Department is to provide economic and political information, translating communications, and administrative services under the act.

Mr. STEFAN. In the District of Columbia?

Mr. CAWLEY. That is correct. Overseas, it will be for housekeeping services.

Mr. STEFAN. All right; find out how much it is.

Mr. CAWLEY. I will have to provide that for you, Mr. Stefan, because this is a local situation in nearly each one of these cities, and it will be a highly tentative estimate, but I will give you that the first of the week.

Mr. STEFAN. All right.

(The amount referred to is $729,000.)

SALARIES AND EXPENSES OF CONSULTANTS

Mr. WIGGLESWORTH. I notice this break-down, Mr. Hoffman, seems to indicate that you are contemplating 500 full-time personnel over and above any consultants you may have.

Mr. HOFFMAN. I am still hoping that we can hold the gross figure to about 500.

Mr. CAWLEY. Those consultants provide for the 12 Public Advisory Board members too, you know.

Mr. HOFFMAN. Yes.

The CHAIRMAN. What sort of a set-up is the Public Advisory Board? That is a set-up where people come down and stay a few days, or something of that kind?

Mr. HOFFMAN. The law provides that there shall be a Public Advisory Board comprising 12 members appointed by the President and confirmed by the Senate. They must, under the statute, meet at least once a month, and while they are here they get $60 a day, all told.

Mr. STEFAN. $50 in addition to $10, making a total of $60?

Mr. HOFFMAN. That is right. If they were held here for several days, then, of course, they would have to be paid for their time while here.

The CHAIRMAN. That is, they would get $50 a day while they were here?

Mr. HOFFMAN. That is right.

Mr. STEFAN. Plus $10.

Mr. HOFFMAN. Yes; $60 in all.

Mr. CAWLEY. The estimate is based on a minimum of 16 meetings of 3 days each.

The CHAIRMAN. Three days each?

Mr. CAWLEY. Yes, sir; 3 days per meeting.

The CHAIRMAN. And 16 meetings?

Mr. CAWLEY. Yes, sir.

The CHAIRMAN. That means 48 days in the period, 48 days in a year?

Mr. CAWLEY. That is correct.

The CHAIRMAN. Is it 16 over the period or 16 for the 12 months?

Mr. CAWLEY. For the 12 months.

The CHAIRMAN. That is, 48 for the year?

Mr. CAWLEY. Yes.

The CHAIRMAN. That means about $2,400 apiece?

Mr. CAWLEY. Yes, sir.

The CHAIRMAN. For how many people, 12?

Mr. HOFFMAN. Twelve people; yes, sir.

The CHAIRMAN. It would be somewhere around $28,800 for just that per diem, and I expect they get their travel, do they not?

Mr. CAWLEY. Yes, sir.

The CHAIRMAN. I guess $400,000 is not particularly out of the way for that.

Mr. CAWLEY. $400,000 is for the salaries of all consultants, and we would pay their travel per diem under the other objects expense, "Travel," including that of the Advisory Board members. Travel for them we estimate at $11,500 in addition to those figures you have given.

The CHAIRMAN. Well, $10 a day on top of that would be about $10,000 more before you got through with that, or more than that.

Mr. CAWLEY. It would be 480 times 12.

The CHAIRMAN. It would be about $4,800.

Mr. CAWLEY. It would be about $5,500 to $5,700.

The CHAIRMAN. 480 times 12?

Mr. CAWLEY. Is about $5,700, sir.

The CHAIRMAN. Yes.

Mr. CAWLEY. Now, the difference between that $5,700 and $11,500 is the cost of travel.

The CHAIRMAN. Well, I guess that is not too far out of line.

Mr. WIGGLESWORTH. Are all of these 500 people to be right here in Washington, Mr. Hoffman?

Mr. HOFFMAN. We have no thought of opening branch offices, but it is possible that we might have some people at odd times out of the city here. For instance, we might send some people to New York to follow shipments and things of that kind, but generally speaking they will headquarter right here.

Mr. STEFAN. There will be some travel within the continental United States, however, Mr. Hoffman.

Mr. HOFFMAN. Yes, sir.

The CHAIRMAN. I do not see, frankly, just how you could limit this to United States travel if you are going to do the job.

Mr. HOFFMAN. No. Perhaps I did not understand the question, sir. I thought the question was, Will there be travel? One of the problems that we are working on now is that we do not know how much of this we can detail somewhere else and how much of it we will have to do ourselves, but we will have to have a price section here so that we can police the buying that has got to be done.

Mr. STEFAN. I was going to ask that question, if you would not have to have men to go out into the factories.

Mr. HOFFMAN. And I think that means inspectors. In other words, we have to have quite an adequate inspection service here, and that means travel here and follow-up and also checking on the orders to see in the first place that they are placed at fair prices.

Mr. KEEFE. That is all involved in the whole problem of procurement, is it not, Mr. Hoffman?

Mr. HOFFMAN. Yes. I was just addressing that to the question of how much travel there would be required in the United States.

Mr. STEFAN. While you presently do not contemplate having branch offices anywhere in the United States you may find yourself ultimately having to have some personnel for 30 days at certain places, or even longer.

Mr. HOFFMAN. And we might have to locate two or three inspectors out in given areas because it would save money, but those are details that we have not worked out. However, those are possibilities.

The CHAIRMAN. You really have not anything in your set-up at the present time except clerical personnel and two or three administrators for them, have you?

Mr. HOFFMAN. We have this home office staff.

The CHAIRMAN. I mean in what you have given us here in the list of permanent employees.

Mr. HOFFMAN. You will find among those so-called consultants a number of people who really are top administrators.

The CHAIRMAN. You are using them for that purpose?

Mr. HOFFMAN. Yes, sir; and they will be transferred over very shortly. We have our top personnel here, and we are pretty well set there with that top personnel. We still have to get people in various sections, and we still have to get a metal man. We have with us Dr. Fitzgerald handling food items, and a man who knows nonfood items named Koenig, from Indianapolis, and then there will be break-downs under them as we get into a larger volume of procurement.

OFFICE SPACE

Mr. STEFAN. Do you have your headquarters office building here in Washington?

Mr. HOFFMAN. Yes, sir; in the Maiatico Building.

Mr. STEFAN. In the Maiatico Building?

Mr. HOFFMAN. Yes, sir.

Mr. STEFAN. Is there plenty of room for you there?

Mr. HOFFMAN. We hope so.

Mr. STEFAN. Do you have your Paris headquarters set up?

Mr. HOFFMAN. Mr. Harriman can answer that.

Mr. HARRIMAN. I understand that the Paris Embassy is working on getting a building which is quite close to our Embassy in Paris.

Mr. STEFAN. Will you rent it or are you going to acquire it?

Mr. HARRIMAN. As I understand it, we are going to rent it. I am not sure about that. I am going to leave tomorrow to go to Paris, and I will know more about it when I get back.

The CHAIRMAN. I have heard that there are a lot of buildings for rent over there.

Mr. HARRIMAN. There is a building available about two doors away from the present Embassy in Paris.

Mr. STEFAN. Can you not take somebody with you from the Foreign Office to see if you cannot make some kind of a swap like we did for those other buildings on surplus and lend-lease? I suggest that, before you go, you go to somebody in that Office and have them give you a little memorandum on what they have acquired over there.

Mr. HARRIMAN. I intend to have a man with me who will be familiar with that, who will work primarily on that while I am there. I will only be there about a week.

Mr. STEFAN. We have acquired a very large amount of property that way under very agreeable arrangements with these foreign governments, and they are very willing to cooperate in that respect. It is the only way that we have been able to get anything back on lend-lease and surplus; that is, in buildings. There are some buildings available there. I do not think you will have any trouble getting them at all if you will go to Mr. Larkin and those boys in the Foreign Office. They have worked on that for several years, and they have been doing a pretty good job of it, and I think you will find them very cooperative.

Mr. HARRIMAN. As you know, I was in London, and I worked with Mr. Larkin.

Mr. STEFAN. We got a building there in London, you know, practically for nothing. One of them was a gift, but I am not thinking of gifts; I am thinking about getting credit on lend-lease and surplus.

Mr. HARRIMAN. I understand they are working on a building two doors away from the Embassy. They are trying to lease it on a long-time lease or acquire it, but I am not familiar with the details. However, I will be when I get back.

Mr. STEFAN. If we could save that rent we would be so much ahead.

Mr. HARRIMAN. Of course, whatever we pay will come out of the blocked currency accounts.

CONTEMPLATED NUMBER OF OVERSEAS PERSONNEL

Mr. WIGGLESWORTH. Do you think, Mr. Harriman, that it is going to be necessary to have a force of as many as 1,000 on the other side?

Mr. HARRIMAN. I believe that this estimate is justifiable. I am not going to put anybody on that is not necessary.

Mr. WIGGLESWORTH. What kind of a set-up do you contemplate in general terms?

Mr. HARRIMAN. The program now is to have a substantial central office in Paris to deal with the CEEC, this committee of the 16 nations, plus western Germany, and to attempt to get that organization to

take all the major responsibility possible. That will require a strong central organization which will deal with them, and also have general supervision over the country missions.

Now, there will be 19 offices, 1 central office in Paris, and then 1 in each of the 16 nations plus 1 in western Germany, and 1 in Trieste. That means an average, under this estimate of, roughly, 52 people.

I would assume that they will run from something like 200 in our central office in Paris down to, perhaps, the smallest around 5 people, with an average of about 52 people each.

NEED FOR OFFICES IN EACH OF THE PARTICIPATING COUNTRIES

Mr. WIGGLESWORTH. Do you have to have an office in each of these 16 countries?

Mr. HARRIMAN. We must have representatives in each country to obtain the information that Mr. Hoffman needs and also to satisfy the Congress, and it may be that the five might be reduced to four in one or two places, but that is a minor question. I am satisfied that we must have a representative in each one of the countries.

Mr. WIGGLESWORTH. Permanently, or could you have one group take care of two or three of the smaller countries?

Mr. HARRIMAN. My judgment is that we ought to have a representative in every country, but we will still be able to group the technical functions by several countries, or even group some of the functions right in Paris.

For instance, on the question of legal staff, it is not quite clear whether we can do most of the legal work in Paris and have our people travel out of Paris or, perhaps, in one or two countries we might not need a lawyer, but as far as practical we will try to do what you suggest, to concentrate in our central office and by groups of countries the technical services which are necessary, but it is important that we follow some of the basic questions in the general areas of finance, in the general areas of agriculture, in the general areas of industrial production, and then the general areas of information. I think it is very important that we get information both ways which will get the people of those countries to understand what the United States policies are and, by the same token, get the information necessary to inform Congress and the American people.

Some of those functions we can cover by areas, but I do believe that it will be necessary to have a representative in each country in order to carry out the purposes of the Congress.

Mr. WIGGLESWORTH. I know this is a tremendous job, but offhand it would seem to me that 1,000 people is a very large force for the work contemplated, particularly in view of the many others that we have there in our established embassies and legations or otherwise.

Mr. HARRIMAN. We will take over on our pay roll those people we find in the Foreign Service who will be useful to our work. We will also attempt to get the embassies to do our housekeeping as far as practical for us, but we must have an independent point of view on these problems, and, therefore, I believe that it is essential that we have a man representing Mr. Hoffman and myself who looks upon the problems specifically from our point of view and not from the broader point of view.

Mr. WIGGLESWORTH. Does that mean that you contemplate duplicating, for instance, the statistical work that may be done today in our other organizations?

Mr. HARRIMAN. In no sense would we duplicate any statistical or any mechanical work. I think one of our major activities is to form judgments in order to make recommendations to Mr. Hoffman and his organization here, and it is in terms of forming those judgments that I think we ought to have representatives in each of the countries to aid our central set-up in Paris.

ORGANIZATION OF HEADQUARTERS OFFICE

Mr. WIGGLESWORTH. I see in this tentative break-down for the headquarters office you have a section devoted to program review and planning, a section devoted to industry, a section devoted to food and agriculture, a section devoted to finance, a section devoted to trade, and a section devoted to manpower and labor, and a section devoted to reports and statistics.

Mr. HARRIMAN. That is on a different level.

Mr. WIGGLESWORTH. Would not that work be largely in being at the moment in our embassies, our legations, or other organizations in the countries in question?

Mr. HARRIMAN. Some of it, of course,would be; some would not be. The reports and statistics section would be required to assemble material available from all sources, to get the governments of those countries to do the maximum amount of work and to take from our own sources, the embassies, and then to assemble it in the manner necessary to keep the Administrator informed and to keep the Congress informed on the facts and the progress that has been made. That is an assembling group rather than a group to direct.

Mr. WIGGLESWORTH. I do not know, but I am fearful if you do any duplicating, it will be not only wasteful from a financial standpoint, but you will find yourself in a jam all the time with our embassies or other authorities that are already in being.

Mr. HARRIMAN. Well, the only new organization is this one headquartered at Paris. The others will be either at the embassies or in Germany at the military government there.

FUNCTIONS OF ECA MISSIONS IN RELATION TO FOREIGN SERVICE AND DEPARTMENT OF AGRICULTURE

Mr. WIGGLESWORTH. Do you mean the mission in each country will be in our embassy, outside of this main headquarters?

Mr. HARRIMAN. The embassies, under the law, are instructed to make facilities available to take care of our people. There are some very definite overlaps. Take food and agriculture, for example, with which we have been dealing through our agricultural attachés during and since the war, when decisions have been made by the chairman of the food committee on the allocations of food through the international organization. Now, we have to work out with the Department of Agriculture the taking over of certain of those functions so that there will be no duplication.

The CHAIRMAN. Well, those are not under the Agriculture Department; they are under the State Department, are they not?

Mr. HARRIMAN. They are in the Foreign Service, but there is a dual responsibility to the Foreign Service and the Department of Agriculture in the direction of those people, but the kinds of reports they make and the information they make available are used by both the State Department and the Department of Agriculture.

Mr. WIGGLESWORTH. You used the expression, if I understood you, of "taking over." Why is it necessary for this new organization to take over that work? It is being competently done, why not leave it just where it is, and let them furnish you the information you need at any time? Why do you have to take over or set up a new organization to deal with it?

Mr. HARRIMAN. Mr. Fitzgerald is the head of the Food and Agriculture Division of Mr. Hoffman's organization. He must have and we must get for him the information that is necessary on which to form the judgments in regard, first, to the distribution and then the question of the financial needs to acquire that food. This whole operation could have been put up to the ambassadors in every country, but the decision of Congress was that Mr. Hoffman should have his organization in those countries. That was the decision of the Congress.

Mr. WIGGLESWORTH. I understand that. What I am trying to get is an outline of the organization you contemplate.

Mr. HARRIMAN. In these smaller countries we think it would be very unwise to duplicate the agricultural attaché, and that is why I suggested, maybe, in four or five places I would think we would use in those countries the agricultural attachés.

When it comes to countries where we are taking very positive action to get an increase in agriculture, it would be desirable to bring over the staff to the Administrator to strengthen the organization and the information obtained so that it may be available to the embassies and to the other departments of the Government that need it, because the aggressive administrative work that will be done by the Administrator's organization has been more as observers than it has been to get results as we hope to do. It is perfectly feasible to build up the agricultural attaché's office, but it is my judgment it would be better to take over, primarily under the Administrator, in the more important countries, the food and agricultural men, as their work will be the most important work, but to see that there will be no duplication of effort. And, as I say, in the smaller countries, reverse it and have the agricultural attachés do the work, perhaps by strengthening the staffs to get the additional information and to do the additional work which is necessary.

Mr. STEFAN. I had a little different slant on that, Mr. Harriman. I thought in opening up those offices in the 16 different countries, including Trieste, that the ECA representative would go into the mission and open up his office there and get whatever assistance he could from the regular commercial attaché there, or he would correlate that with the information he wanted. In other words, you can take some information from anybody else or from the mission, as far as that is concerned. I did not know we were going to take over their staffs.

Mr. HOFFMAN. There is a little confusion here. I think what is going to happen is this: there certainly is going to be no duplication of statistical work—none whatever. Wherever statistics are, we will

draw on them. But we believe in this agricultural field we do not need reporters but we need operators. In other words, you have to get people to go out and actually look into the conditions on these farms to see what can be done to build up production.

Mr. STEFAN. And whatever information the agricultural attachés have would go to the ECA representative?

Mr. HOFFMAN. Yes, sir. We do not think we can take over a reporter from the Embassy and have him do the kind of work we expect to do. It is a different type of work, as Mr. Harriman said.

The CHAIRMAN. You mean these people we have over there are not competent to do that kind of work? For instance, I do not know whether you are familiar with what these Extension people do here— —

Mr. HOFFMAN. I do not think they are supposed to be production people. I do not know.

The CHAIRMAN. If they are competent, they could; if they are not, I do not see how they can do the job they are supposed to do. Maybe they are not competent.

DISCUSSION OF EXTENT OF SUPERVISION OVER PROGRAMS

Mr. HARRIMAN. These food and agricultural people are extremely competent people, but their work up to the present time has been purely reporting work and not getting results. I believe, in order to do the broader function required, we will find men there. I would be foolish to bring someone new in; it would be better to take those individuals already there and broaden the scope of their activities and reduce them in the field Mr. Hoffman speaks of, because we now have the responsibility to see that certain things are done; for instance, that fertilizer is properly used, that the agricultural program in each country is going to get the maximum production that is possible. Therefore, there will be far more direct activity than the reporting types.

Mr. STEFAN. Pardon the interruption, Mr. Ambassador, but you are absolutely right there; because the commercial attaché could not do some of the things you will have to do. You are absolutely right. Still the agricultural attaché remains there, and whatever work he does we should use. However, you think you might take over the present agricultural attaché who is there and put someone else in his place?

Mr. HARRIMAN. That is right. I was talking about agriculture.

Mr. STEFAN. He would have to get different material, too.

Mr. HOFFMAN. In some cases, I would think the man who is doing the work of the agricultural attaché would be broad enough in the smaller countries to do that work if he got an additional assistant or two so that these additional activities could be performed. In the bigger countries, I think there ought to be a direct representative of Agriculture on the staff.

Mr. STEFAN. I did not know you were going that far in policing the use of materials, such as fertilizer, for instance. I did not know you were going that far; I thought the government participating in the program might do the most of that. Of course, if you have to police and go right to the farm to see that they are utilizing the fertilizer the way you want them to do, that is a different story. Of course, our missions are not prepared to do all that.

Mr. HARRIMAN. I have no idea we would go to each individual farm.

Mr. STEFAN. I know that.

Mr. HARRIMAN. I would assume Mr. Hoffman and the Congress would want to know whether the results being obtained from the money appropriated showed the money was properly used. That is a function beyond what we have been doing up to now, and there might be some spot checking, but we have not anticipated expanding anything like you speak of in the form of the Extension Service. The main responsibility would be the responsibility of the government of the country, but I would assume Mr. Hoffman and the Congress would want to know and would expect our staff to be able to inform him on whether results were being obtained from the supplies that were purchased under ECA.

Mr. WIGGLESWORTH. What have you in mind along that line in respect to the commercial transactions? It has been testified here that the whole emphasis is to get as much in the commercial channels of trade and as little in governmental operations as possible. If you are going into the policing field, that raises a tremendous problem, does it not?

Mr. HARRIMAN. I do not know whether the "policing" field is the right word to use.

Mr. WIGGLESWORTH. Well, to check on the ultimate use of the commodity.

Mr. HARRIMAN. To be able to inform Mr. Hoffman and the Congress on what has happened as a result of the expenditures of the money is a field which I would assume would be necessary in order to form judgments on the division of the moneys as between these countries and scheduling from country to country and on the question, which will be before you again, of appropriations after next year.

The CHAIRMAN. In order to get this picture right in front of us, I wish you would take each one of those items, beginning in that third row with "Program review and planning," and go down the line and explain what you intend to do under each one and why you want it.

Mr. MAHON. Is that the headquarters office overseas?

The CHAIRMAN. That is it.

PROGRAM REVIEW AND PLANNING

Mr. HARRIMAN. Program review and planning will work with the central European agency called OEEC in developing the over-all programs and the programs for each country, and they will develop programs on which recommendations will be made from Paris to Mr. Hoffman on the over-all allocations and specific allocations as between commodities and projects.

INDUSTRY DIVISION

The Industry Division would work with OEEC and have supervision——

The CHAIRMAN. What is OEEC?

Mr. HARRIMAN. It is called the Organization of European Economic Cooperation.

The CHAIRMAN. Well, you have more names to it than anything else I have ever heard of.

Mr. HARRIMAN. It is terrible.

The CHAIRMAN. It is operating under four or five aliases already.

Mr. HARRIMAN. Yes, sir. That is the Paris office of the European government's central agency. That is the one that developed the first plan. It used to be called the CEEC Committee, now a separate organization.

The Industry Division is going to have——

Mr. STEFAN. That is the organization of the 16 participating countries?

Mr. HARRIMAN. That is right. In the industry man, we hope to get a strong industrialist who would work, again, with the 16-nation organization on analyzing the maximum use to get the maximum production from the existing facilities in each country, taking the principal commodities. Take steel, for instance. With the way steel is short in the world and short at home at present, it is vitally important that we see that they work together to get the maximum production of steel from existing facilities, to see that they use the raw materials to the best advantage, such as coking coke and scrap, and then to go over their programs for expanding production. The initiative we would expect to come from the technical committees of the 16-nation group, but we are going to review their plans to see whether the additional equipment and machinery which they indicate is necessary would produce the results anticipated, or whether we could make recommendations as to different ways of increasing production.

I believe we will want to have a special group go over there from time to time on each major industry, perhaps for 2 or 3 months, and make detailed studies. They would come and go, and their reports would be available as to the program.

The CHAIRMAN. Does that mean you would have one man in Paris who would stay there and attempt to coordinate the industrial operations that result or that are assisted under this program? Is that the idea?

Mr. HARRIMAN. One man directing this work and bringing in technical people from the different industries that are under review, if we are involved in the problems of those industries. If they are going to ask us for steel, which is short in this country, we want to know they are using their facilities to the best advantage.

The CHAIRMAN. You mean you would have inspectors in each country where stuff was used who would report to this man?

Mr. HARRIMAN. I am talking about the preliminary work, before we approve the program. I would expect he would have a program proposed by the 16-nation group and then we would go over that program—I do not like the word "expert," but a practical man who understands the steel business— and we would send a group in there to go over the programs in the different countries to see whether the programs are intelligent ones or can be improved, before we ever approve any machinery to go over there for expansion purposes. The preliminary work before the program is approved is, perhaps, the most important of all. After the program is approved, it is a relatively simple matter to see whether they get the production that is contemplated.

Mr. HOFFMAN. Do you think, perhaps, it might make this a little clearer if we say we conceive of our function in a rather broad sense of the word to be a banking function? In other words, if the steel industry of France or the steel industries of several countries should come to us and way "We have a program here. We think if you will invest in it, we might increase production of this industry so much percent," then at that point we certainly would want to bring in experts just to check the plan, perhaps offer advice and help to the foreigners in the beginning. Then, if it checked out that we thought the investment of our dollars would produce that result, we would go ahead and invest.

Mr. WIGGLESWORTH. That check would be made in Paris at the headquarters rather than by the individual country mission?

Mr. HARRIMAN. It would be from Paris, but we would expect to have an industrialist in each important country, like Britain, although not necessarily in some of the smaller countries. I think, if they are asking for steel, to suggest one, you would want to know whether they are using the facilities to the maximum capacity, whether they cannot get 35,000 to 40,000 tons more out of the French or more from Italy or the British. Then, also, when it comes to the second stage, which is expansion, he would have general direction of all industrial problems both of the 16-nation group and supervising the work of the industrialists in each country but with the headquarters in Paris.

The CHAIRMAN. You have talked some about food and agriculture.

Mr. HARRIMAN. Yes. Finance, of course, as Mr. Hoffman says, is, in a sense, a banking function. We must see that the financial programs of the 16 nations as a whole and of the individual countries are sound; that they are working in a sound direction to get currency stability, exchange stability, and a balance of payments between nations, a balance of payments within Europe as well as a balance of payments against dollars, and also dealing with the problem of blocked currencies. In finance, I believe Mr. Hoffman has a very key problem.

The CHAIRMAN. Will that be something handled from over here or from over there?

Mr. HARRIMAN. There will be a branch office of Mr. Hoffman's organization here, and Mr. Hoffman's position, I think I state correctly, is that he expects us to form judgments, to give recommendations to him on all of these financial problems, and there will be a close working relationship between the financial people here and the financial people in Paris. But, as they are close to the ground and have contact——

The CHAIRMAN. Do you expect to have some individual who has had experience in currency and exchange?

Mr. HARRIMAN. Yes. I think we will have a strong group, over all, of very competent people.

Mr. HOFFMAN. We would hope to have a very strong group here. As Mr. Harriman says, the liaison is to be very close. We have asked Mr. George Harrison, president of the New York Life Insurance Co. to organize for us a group of the very top people in the country, and we hope to get Mr. Allen Sproul and Mr. John Williams and men of that character and capacity to sit here with us as the policies are worked out, and, of course, there will be the closest liaison with just as strong a group as Mr. Harriman can get together at the other end. So, in

addition to our staff of people, we would employ one of the most sophisticated people in that field, in which we have had the promise of his help.

Mr. WIGGLESWORTH. I understand this division deals both with currency stabilization and also with the deposit of the local currencies.

Mr. HARRIMAN. And the problems of balance of payments.

TRADE

"Trade" will deal with the stimulation, as far as possible, of intra-European trade and to further, as far as practicable, the movement afoot for the breaking down of trade barriers, working toward our customs unions, and to deal with this problem which is very much uppermost, that is, the problem of the east-west trade.

MANPOWER AND LABOR

"Manpower and labor", I think, are obvious.

The CHAIRMAN. What do you expect to do with them? I think that would be something we ought to know about—what your approach to that problem is to be.

Mr. HARRIMAN. The manpower problem, of course, in each country differs. We have in one country a surplus of manpower, as I understand it, namely, in Italy; we have a very tight situation on manpower in both France and England. There is no use making plans for industrial expansion or the expansion of trade unless the manpower is there to produce the stuff it is planned to produce. So that manpower studies are very important.

The question of labor, of course, is the general labor psychology, the general problems involved.

The CHAIRMAN. What do you expect to do and what is your program to be with reference to that?

Mr. HARRIMAN. We expect to get someone from the labor groups in this country to sit with us and help us on the problems there.

The CHAIRMAN. Well, we ought not to engage in a proselyting effort to tell them how to run their labor organizations.

Mr. HARRIMAN. We won't be involved in that, but we are involved, of course, in the psychological problems of those different countries. Our information service will deal with some of them.

The CHAIRMAN. The operation in Germany, according to my information, has done an awful lot of harm to recovery.

Mr. HARRIMAN. Well, the military government in Germany is involved in the government of Germany. We won't be involved in any extra-governmental activity, of course, in our operations. It is an unfortunate fact that abroad, in the trade-union movement, there is an infiltration of communism, which is a very unhealthy situation, and that is something that we have to battle from A to Z.

The CHAIRMAN. There is no question about that. If we had done that in Germany, we would be better off.

Mr. MAHON. We would not have labor union organization representatives of the A. F. of L., CIO, and people of that type in this office?

Mr. HARRIMAN. We will have an A. F. of L. representative on the staff.

Mr. MAHON. You mean on the staff of each country?

Mr. HARRIMAN. No; in my staff in Paris—not as such, but as a man who has knowledge. Just as we draw people from industry, we expect to draw a man from the A. F. of L. to come in and be a member of the staff—not as a representative of the A. F. of L. but as a man who has spent his life in labor problems.

Mr. MAHON. And a representative of the CIO?

Mr. HARRIMAN. No. We expect to have one man.

Mr. MAHON. You would not care from which organization he came, as long as he was a labor expert and knew something about labor and had a practical knowledge of labor?

Mr. HARRIMAN. That is the idea.

Mr. CASE. You did not mean by using the term "A. F. of L." to say you would not have a representative of the CIO?

Mr. HARRIMAN. Not at all. It so happens that we are discussing with the A. F. of L. a representative in Paris—not as an A. F. of L. representative but as a man over there from the A. F. of L. organization—and perhaps in other places somebody from the CIO.

Mr. STEFAN. Just as you have people in the banking business, agriculture, or whatever it is?

Mr. HARRIMAN. That is correct. They will be our men; they won't be representatives of any group, any more than the industry man will be a representative of the National Association of Manufacturers.

Mr. CASE. Will these people be dollar-a-year men?

Mr. HARRIMAN. No; they will be on the pay roll.

Mr. CASE. Exclusively on your pay roll?

Mr. HARRIMAN. Exclusively on our pay roll.

Mr. CASE. And not drawing salaries from their industries or from labor organizations in addition to what you pay them?

Mr. HARRIMAN. I had not anticipated and I do not know whether the law contemplates dollar-a-year men. It does not, I understand.

The CHAIRMAN. When you employ consultants, those people will have to be people who are also on somebody else's pay roll or who are retired in that particular group.

Mr. HOFFMAN. That is right.

The CHAIRMAN. And if you have people coming over for 30 or 60 days or something like that, you could not expect them to sever their business connections to do it.

Mr. HOFFMAN. No.

The CHAIRMAN. I do not know, but I would say probably all of those people would be involved on somebody's pay roll.

Mr. HOFFMAN. As to the consultants, I think that is true generally. I think, certainly as far as the labor advisers are concerned, we might have one or two in this country or abroad who should go on our pay roll and on our pay roll exclusively.

The CHAIRMAN. That is, if they are on full time jobs?

Mr. HOFFMAN. If they are on full time jobs.

The CHAIRMAN. But you cannot expect that of a man who comes in for 3 days a month.

Mr. HOFFMAN. That is right.

Mr. HARRIMAN. Or a man to go over there for 30 days to 90 days. He would be loaned by industry. If we wanted to make a steel study, we would get steel people.

The CHAIRMAN. But they would be on your pay roll while they were working for you?

Mr. HOFFMAN. They might be loaned for that particular type of work. I do not suppose we can pay enough to justify their doing so, and there would have to be different arrangements under different circumstances.

Mr. STEFAN. It is my understanding we are not going to have any dollar-a-year men in this set-up, but if you have consultants, you are going to pay them $50 a day plus $10 a day and while they work for you you would pay them that much money, but there will be no so-called dollar-a-year men working for you all during the year.

Mr. HARRIMAN. We are not thinking of dollar-a-year men as such, but we have certain consultants whom we pay $10 a day and some whom we pay $50 day, and while there are some who will come for 2 days a week and some here and there may have jobs that will last for 90 days, in those cases they do not entirely sever their connections, because we could not ask them to.

Mr. STEFAN. There was considerable objection during the war where dollar-a-year men who spent their time working for the Government for a dollar a year but really spending most of their time trying to get business for their companies.

Mr. HARRIMAN. I think we know the problem. We have no men of that type.

Mr. KEEFE. If you needed men of that type, it would not make much difference; as long as you have the objective to get that picture clear, it would not make any difference whether they were dollar-a-year men or were paid $50 a day.

Mr. HARRIMAN. The important thing is we do not want anyone with divided loyalty, and if they have to stay on this job and be on this job, they will be on our pay roll.

Mr. KEEFE. That is right.

Now, I would like to make inquiry of Mr. Harriman with respect to the labor situation, where you propose to set up a division in your central office in Europe designed to assist the mission in dealing with labor matters. I do not understand that is for the purpose of bringing into these participating countries ideas of labor organization and all that sort of thing, such as we have in conflict here in this country.

Mr. HARRIMAN. No; but to study what manpower is available, how we can get increased productivity, and so forth. One of the big problems in some of the countries of Europe is that they had this idea, which has resulted from unemployment conditions in the interwar period and earlier, of keeping production down. Thus you might get mechanization and might not have full advantage of mechanization, and so we propose to study what can be done, what we have a right to ask these countries to do to break down those types of artificial blocks to production and, by the same token, some of the license methods which have led to obtaining less than the fullest production. It is matters of that sort that we want to get expert advice on.

Mr. KEEFE. We have specialists in that field, as I understand it, who are assigned by the Department of Labor to the Department of State, and they have a force of eight or nine such people in their appropriation request this year and I believe they requested eight more, who Mr. Morse suggested would be available for service in the foreign fields in dealing with the State Department and making recommendations to the State Department in the handling of international labor relations and working with the International Labor Office. Now those people who have been authorized are there working in that field.

What would be the liaison between that group and the group you propose to set up in your office?

Mr. HARRIMAN. They will have to work very closely with them in each country. There is no sense in our sending machinery to a country if the labor unions of that country are simply going to reduce the output per machine, and we want to have those fellows work suitably, just as industry has people to work out how to better use machinery.

There is a problem in many countries in Europe to get increased production out of the machinery they have and out of the machinery which we may authorize them to buy.

REQUIREMENT FOR COOPERATION AND LIAISON WITH DEPARTMENT OF STATE MISSIONS IN PARTICIPATING COUNTRIES

Mr. KEEFE. Now, these missions to participating countries other than Germany and the free territory of Trieste are the missions that are set up under section 109, as I understand it, of the basic law.

Mr. HARRIMAN. That is correct.

Mr. KEEFE. Which provides for a mission to each participating country. So when you speak of an office in each country, it relates to that particular mission?

Mr. HARRIMAN. That is correct.

Mr. KEEFE. As I read the law—and I have just been trying to understand it—it provides in subsection (c) of section 109—

> The Secretary of State shall provide such office, facilities, and other administrative services for the United States Special Representative in Europe—

that is you?

Mr. HARRIMAN. Yes.

Mr. KEEFE (reading):

> and his staff, and for the special mission in each participating country, as may be agreed between the Secretary of State and the Administrator.

That indicates to me that the Secretary of State is to provide you and each of these missions in the participating countries with office space, facilities, and other administrative services. Do you so interpret it?

Mr. HARRIMAN. Yes. The office space, facilities, communications, the pay of the members of the staff, and the administrative services as distinguished from the operational services which would be performed by the staff of the Administrator.

Mr. KEEFE. Those services are to be furnished by the State Department through the Secretary of State?

Mr. HARRIMAN. They are what you call the housekeeping services, to use a commonly known phrase.

Mr. KEEFE. Yes. Then the State Department is to be reimbursed, as I understand, out of this appropriation for expenditures in connection with the furnishing of those housekeeping services.

Mr. HARRIMAN. That is correct.

Mr. KEEFE. Now, all through this law appears to be an effort to guard against any conflict between yourself, as the United States Special Representative in Europe, and the chiefs of these respective missions and the chief of the diplomatic mission in each country, who would be the Ambassador, I assume, in each country.

Mr. HARRIMAN. That is correct.

Mr. KEEFE. In other words, the chief of each special mission and you, as the United States special representative, are specifically charged with the responsibility of keeping each ambassador advised of what you propose to do?

Mr. HARRIMAN. That is correct.

Mr. KEEFE. And he is to keep you and your chiefs of mission advised, so that there may be no conflict in activities in connection with the foreign policy objectives of the United States in each country?

Mr. HARRIMAN. That is correct.

Mr. KEEFE. And if a question does arise of conflict, it must be resolved by consultation between the chief of mission and the ambassador, and then, if it still persists, must be resolved by the ambassador and the Secretary of State?

Mr. HARRIMAN. That is correct.

Mr. KEEFE. And if they cannot agree, then it goes to the President?

Mr. HARRIMAN. That is correct.

Mr. KEEFE. That is the set-up, is it not?

Mr. HARRIMAN. That is the set-up.

Mr. KEEFE. That means, therefore, that there shall be a close liaison between the diplomatic mission in each country and this special mission that is set up pursuant to Public Law 472. And in this same law it is provided, as I recall, for the utilization of the services of other departments of the Government wherever feasible to use those services. That means, then, that you would utilize the Foreign Service of the State Department where it was feasible to use such services in connection with the operations of your own staff and the operations of these special missions in each country?

Mr. HARRIMAN. Yes, sir. It is provided that the Administrator can draft from the Foreign Service individuals who are qualified for the work that has been assigned to him and, in addition to that, to use the facilities. I would interpret that to mean, where we can use the facilities of the embassy, that we do so if they are fully qualified to perform such services.

Mr. KEEFE. The purpose of that, of course, is to get away from duplication of effort, for instance, in the matter of statistical review and that sort of thing.

Mr. HARRIMAN. Statistical review, and so forth. I had some experience in this when I was in England, in 1941 and 1942. My mission there covered a pretty big field. I used the members of the embassy staff who were qualified, and they worked very closely with us. In fact, some of them spent most of their time on our work.

POSSIBILITY OF CONFLICT OF INTERPRETATION AND UTILIZATION OF INFORMATION

Mr. KEEFE. The point I am getting at, Mr. Harriman, is this: If you have one set of statisticians, for example, working on a problem and the embassy has its own statisticians, there is a possibility of conflict of interpretation and utilization of the information. Is not that correct?

Mr. HARRIMAN. There is a possibility, but I would hope we could eliminate duplication of statistical work by each making available to the other what statistical work we might be doing, and such work as our staff did would be supplementary to and not duplication of the work that was being done by the embassy.

Mr. KEEFE. Well, I would like to get a kind of clear statement in the record, other than that which is contained in the law, of the interpretation that has been placed upon the law as to the functions of these special missions and just what they are to do in each of these countries.

Just what are these special missions to do?

Mr. HARRIMAN. I have given you very briefly an outline of what I see would be the fundamental work in Paris. I have not covered it fully, but I have given it in a preliminary way.

Mr. KEEFE. That is, generally?

Mr. HARRIMAN. Yes. Now, to a more or lesser extent, each mission is going to have to do that work as it relates to each country. I can go through again how each of these functions will have to be done in each country as it applies to the particular operations in those countries.

Mr. KEEFE. I stepped out for a moment, Mr. Harriman, and you may have covered a part of this. I do not want you to repeat it unnecessarily.

Mr. HARRIMAN. For some of the smaller countries these functions can be performed in that way; but for the larger countries these functions will have to be performed in one way or another by the missions.

FUNCTION OF SPECIAL MISSION IN GERMANY

The CHAIRMAN. I wonder if you could tell us what the function in Germany will be and whether that will be entirely up to the military?

Mr. HARRIMAN. The agreement we have with the War Department is that we will have a mission in Germany dealing with the military government, which is the government of Germany, going over this program, and going over what the plans are in order that judgments can be formed as to whether the use of the appropriation for the expansion of production in Germany is being carried out properly.

The CHAIRMAN. Will there be one set-up or will there be three?

Mr. HARRIMAN. I might add that mission will report to the Administrator through me, as I understand.

The CHAIRMAN. Will there be one set-up in Germany or will there be three, one in each of the zones?

Mr. HARRIMAN. It will be bizonal, we will have to work out——

The CHAIRMAN. (interposing). Will the French territory for instance, be covered from Paris?

Mr HARRIMAN. We may cover the French territory from Frankfort or we may cover it from Paris, depending upon what seems to be the best. We hope some day, in the not too far distant future, to come to an agreement for one operation in the two zones; it will much simplify our operation. But in the first stage it probably will be covered from Paris. But we will have to work out with the military governments of both zones, and there will be a good many problems that will involve interpretations of international relationship in the French zone dealing with Bizonia.

EXTENT OF UTILIZATION OF FOREIGN SERVICES OF THE STATE DEPARTMENT

The CHAIRMAN. To what extent do you expect to utilize the services of these foreign services of the State Department in connection with this operation?

Mr. HARRIMAN. Wherever we can get a good man who can be spared we will use him.

The CHAIRMAN. In looking at this sort of an organizational chart, I am wondering if there is any activity of the Embassy, in any of these places, in connection with the Food and Agricultural Program, and the operations of the commercial attachés which would not be covered by what you contemplate?

In other words, for the time that this set-up is in operation, is there any occasion for the setting up of the agricultural attachés or the commercial attachés?

Mr. HARRIMAN. Dealing with the commercial attachés, their functions are to promote trade and help do the work that they have always been doing for the Department, that is, to give trade information to American firms who are selling abroad, and to give information to exporters who want to buy things in these countries. In other words, the job of the commercial attaché is to promote normal channels of trade.

Our problem will be to work on this recovery program, and that is, on the industrial side, to see that increased production comes in accordance with the programs that have been approved. But I do not see much overlapping, although there may be some statistical information, and there will be statistical information to be pooled.

With respect to food and agriculture there is more overlapping, because most of the information we will require, Mr. Chairman, in many of these countries has already been worked up. We will have to work out in each case whether the primary information developed by our staff, given to our agricultural attaché is to be the basis. But we will have expanded information and expanded operation, and we will study out in each case to see there is no overlapping. As I said, in some cases there will be a little, but I believe we should use the agricultural attaché to do the work that is necessary and send him perhaps a man or two to cover the expanding duties.

To some extent the same thing is true with the Treasury attachés, who have been reporting and giving information in some countries. Where expansion is done or is being done we have got to see that there is no duplication.

EXTENT OF SUPERVISION OVER ULTIMATE USE OF COMMODITIES

Mr. WIGGLESWORTH. I would like to return to a question which I raised a little while ago. To what extent do you contemplate attempting or being able to check the ultimate use of the various commodities that may be sent overseas?

Mr. HARRIMAN. I think the first report should be in relation to whether the programs that have been agreed to have succeeded, and if not as to why they have fallen down, and why, or if they have gone beyond the expectations.

Where we are supplying food it is a question of whether the food distribution has been well done; whether the collection of food from the agriculture of these countries has been according to schedule, whether rationing has been successful, whether rationing should be increased from time to time, which will be a problem, and to make reports on the over-all progress.

Then, I think we must try to get specific reports on the results attained. For instance, we send machinery over to stimulate the production of steel, the production of coal, petroleum production—those are three very important items—and whether the machinery that we have sent in has actually resulted in increasing the production of these vital items.

So that I see both an over-all report and an individual report in relation to the specific development program.

Mr. WIGGLESWORTH. Do you contemplate any check on the reexports of commodities from these different countries?

Mr. HARRIMAN. We will have to follow the trade of the countries. This recovery program, of course, is based upon expanding their own trade in order to be able to buy the food and raw materials which are needed to get them on an economic balance.

In connection with reexports we will have to follow that to see that materials coming in there for processing and what happens to them under the schedules that have been programed. We will have to follow them in relation to the program itself.

Mr. WIGGLESWORTH. Suppose a lot of trucks go abroad to one of the participating countries through normal commercial channels, is it going to be possible to check whether these trucks are going where you think they are going, or whether they are going to be reexported to the Soviet or some one of the satellite countries.

Mr. HARRIMAN. We will follow the trade statistics very carefully. In the first place, the trade statistics will be worked up in advance, and then in the programs we are trying to get from these countries—some of them have done a pretty good job, while others have not gone quite so far—in getting information in such way that we can get a picture of what is happening to the trade. When it comes to reexporting the large items presumably they will be in the trade statistics.

Mr. WIGGLESWORTH. They might or they might not.

Mr. HOFFMAN. Mr. Wigglesworth, I think I might say that we have been consulting with the FBI, and we have Mr. Bruce and others who are making a study to find out just how we can at reasonable cost check on the industrial use as well as to follow through the program in the countries where the whole project is underway.

Mr. HARRIMAN. Of course, Mr. Wigglesworth, you know that the east-west is a large problem.

Mr. WIGGLESWORTH. I realize that.

Mr. HARRIMAN. It is a major problem, not only because the law itself places a definite responsibility, but I personally feel very strongly that we must get concerted action on the part of the United States with the 16 nations in the east-west trade. I think all of that is highly important to European recovery and the objectives of the act, particularly with reference to food, coal and timber be obtained from eastern Europe, so that men are going to have to be sent there who are experienced. Of course, we must avoid any strategical equipment being sent out which is against the policy of the United States.

Mr. WIGGLESWORTH. Yes; the enabling act specifies that.

Mr. HARRIMAN. Yes, and in relation to reshipments as well, we will watch that as best we can, and I would say that we can do it reasonably well.

Mr. STEFAN. Mr. Hoffman, have there been any bilateral and multilateral agreements made as yet?

Mr. HOFFMAN. No.

Mr. STEFAN. With any of the participating countries?

Mr. HOFFMAN. Not as yet.

Mr. STEFAN. None at all. Under what agreement have you started to ship with the $800,000,000 that has been made available?

Mr. HOFFMAN. Under letters of intent.

Mr. STEFAN. But there have been no bilateral or multilateral agreements made?

Mr. HOFFMAN. We have agreements back from each of the countries that they will sign these agreements.

Mr. STEFAN. But none have been made, so you are still in the embryo stage?

Mr. HOFFMAN. Yes. We have until July 3 to get the bilateral agreements sent us.

PRODUCTION LEVEL OF PARTICIPATING COUNTRIES

Mr. CHASE. As we have been going through these preliminary estimates with the people who have been before us for the past 3 weeks, representatives from the State Department and the other executive branches, I have been repeatedly impressed by the fact that apparently the estimates were intended to make it possible for the various participating countries to get to a production level in excess of what they had in 1938, in order to fill the vacuum of production created by the failure of Germany to be up to that level. The figures which were given in the Myrdal Report indicated that most of the countries were at or above the 1948 level, and Germany was 37 percent.

And the problem to me is what is going to happen if we stimulate, by this program, through a subsidy in effect, a production level of these other countries of western Europe to something above prewar level, and some far above the prewar level, and at the same time say that we are seeking to get Germany on a self-sufficiency basis, what is going to happen when the products are competing for markets?

Mr. HOFFMAN. I do not think that the mere taking into account of industrial statistics gives the whole picture, because agriculture is not back and will not be back, apparently, before some little time. Of course, you know more about that than I.

Mr. CASE. And probably for agriculture they will be looking to the satellite countries and Russia.

Mr. HOFFMAN. Looking to the satellite countries for agriculture products?

The CHAIRMAN. And to Argentina.

Mr. HOFFMAN. I have been reading the Myrdal report; I have not finished it as yet, but while it is true that they are up to about 99 percent of their 1938 level that does not take into consideration the increased population, for one thing, which I understand is around 10 million people, and that number of persons can make some difference in the result.

Mr. CASE. We followed that through with respect to certain countries and commodities, and the figures were given us on a per capita basis.

Mr. HOFFMAN. It did not take into account either, I think, the war destruction and it is going to take a certain amount of time to build back those countries, and it is going to cost a great deal, because

they have had terrible destruction in many of these countries; France, some in Belgium; they have had some in most of them.

Mr. CASE. What about Ireland and Portugal, Norway and Sweden?

Mr. HOFFMAN. Norway suffered considerable damage, but we do not intend to do a great deal in the way of industrial development in Ireland, and the only thing we have contemplated for Sweden, mainly, I think is some loans.

Mr. CASE. I think we had a discussion here yesterday concerning building up the textile industry in northern Ireland.

Mr. HOFFMAN. Well I can say this generally, that, number one, I do think that regardless of how effectively we use this money this year—the amount of money we might get, perhaps I should say—and any money we might get hereafter to try to stimulate production, We are talking of a total of $5,000,000,000 against an economy that produces today around a $100,000,000,000 of national income, and when we are speaking of 5 percent, I think if we consider that the program is very effective, the best we can hope for is to be about one-third increase, in my opinion.

Mr. CASE. I may be wrong in this, but it seems to me that if we are setting out to increase the disparity between the production of western Germany and the production of the other western European nations, and if we succeed in doing that then we prevent Germany from setting on her feet and prolong the period of time in which we will be called upon to send her supplies for development.

Mr. HOFFMAN. If you are asking me—and I believe Mr. Harriman's views are exactly the same as mine on this—I would say that one of the keys to the recovery in Europe is a very sharp stepping up of Germany's production. You cannot build that economy in Europe unless you build production in Germany.

Mr. CASE. Contacts, such as I had with the other countries, in fact, some with the French and some with the Netherlands, indicated they felt that the surest way to recovery would be to have a comeback in western Germany.

Mr. HOFFMAN. I do not think they can have recovery in Europe without German recovery.

Mr. CASE. I think that is true.

Mr. HOFFMAN. That is my strong conviction, and in all of our planning it is directed toward increasing Germany's production. We realize there is necessity to promote some understanding in this country of that need. There can be increased production, in my opinion, if it is properly policed, with no hazard from the standpoint of war potential, and I think we start out with the thought and we must start out with the understanding that the restored recovery in Europe must have restored recovery in western Germany.

EXPORTATION OF FARM MACHINERY

Mr. CASE. In our discussion with the different staffs, particularly from the Department of Commerce, it has been brought out early in the hearings that this program would expect to take about 25 percent of the farm machinery this year. And in that connection it meant the exportation of a great many tractors.

In view of the fact that a great many farms in western Europe are small and not adapted to the use of tractors, I wonder why you would

not propose to send over some horses, mules, or cattle, or something of that kind, more nearly in line with the type of power they are accustomed to use and that is more suited to their system of farming operations?

Mr. HOFFMAN. Mr. Case, that question came up the first day I testified, and I thought that it should be answered by one of our experts in that field, and I think that we agreed to submit a report, through Dr. FitzGerald on that subject, and I suppose that has been done.

Mr. CAWLEY. If it were called for it is in the record.

Mr. HOFFMAN. That was my recollection, and I think that was done. I would not like to discuss it off-hand, but I thought that we had covered it.

Mr. CASE. Obviously the use of tractors means a demand for gasoline and fuel oil which intensifies the demand on items which are in short supply here.

Mr. HOFFMAN. I think we are under a general injunction only to export, to send out of this country—and I think that is a continuing obligation in our keeping a survey of the program—to see that there were not any shipments made beyond what can be reasonably supplied.

Mr. CASE. The interrogation on the subject of the procurement of horses indicated that the only thing contemplated was to provide horse meat, and I believe they are being contracted for; and nothing that you have said would indicate a modification of the program to export 25 percent of the machinery, farm machinery, including tractors.

Mr. STEFAN. I think I can explain that point. This matter of 25 percent of farm machinery going to Europe came up when the Department of Commerce came before this committee to justify the appropriation for the Division of Export-Control and Licensing Control, and in their justifications at that time they stated that farm machinery——

Mr. CASE. And you are quoting from their printed justifications?

Mr. STEFAN. Yes. They indicated that the European program, being put in operation the first year, will result in a demand here of one-fourth of the production annually. They were talking about farm machinery. Then that statement was qualified later, through the interrogation of some of the witnesses, from the Department of Commerce, concerning the original request, and that it had been scaled down to around 8 or 9 percent, that is the first year figures; but the over-all export of farm machinery in the first year of the ECA operation would be 22 percent, and that figure of 22 percent stands today.

However it was stated that we could export that amount, in view of the subsequent information received by Commerce from industry, but industry has come back to members of Congress and expressed great alarm in the proposed exports of 22 percent of farm machinery products under the ECA program, for the reaason that industry indicates that Commerce has not yet explored the possibility of checking up on horse drawn machinery that is available in the United States in order to send it over to Europe to help in the recovery and leave some of the machinery here that we need so badly at home. Which would fit in with our mechanized farming here and also with what they are accustomed to over there.

Mr. STEFAN. That is right.

Mr. MAHON. I do not know that there is any testimony before the committee which tends to show that the tractor and farm machinery manufacturers do not prefer to sell and to ship abroad this farm machinery, and favor the overseas movement. If there is any such testimony before the committee I do not recall it.

Mr. STEFAN. There is a lot of testimony here, I may tell my colleague, to the effect that the International Harvester and other machine concerns are ready to go out and get the business we are opening up, but other machine people are telling me and other Members of Congress that we have not in fact explored the possibility of sending a lot of horse-drawn, oxen-drawn and that type of machinery that is available in the United States and which fits into the farm operations within Europe.

Mr. MAHON. I realize there is a shortage now of farm machinery in this country, but I have the impression that most of the tractors and farm machinery producers prefer this export trade, looking on it from the long range viewpoint, in the hope of holding the markets for days when the ECA is a thing of the past. I do not know, but I would like to hear that testimony before this committee, Mr. Chairman.

The CHAIRMAN. I do not think it has appeared as yet.

Mr. STEFAN. When the Department of Commerce came before this committee to justify the appropriation for the export control and licensing they had this to say:

That in the first year operation of the ECA the program will demand nearly a fourth of the production, annually, of farm machinery, and even with the greatly increased production the supplies to the United States farmers will be drastically decreased and curtailed.

Now, this information came right out of the Office of Information in the Department of Commerce.

The CHAIRMAN. That is what they said when they wanted an appropriation for export and licensing control; that is the language they used?

Mr. STEFAN. Yes. And when it came to being able to supply 20,000 box cars, when they were before the committee to justify the same appropriation, they said that the freight car shortage was one of the worst in the capital goods field, one which affected every segment of our economy, from the production of crude materials all the way through steel and petroleum production, iron, steel, pig iron; and the Department of Commerce said that we were going to be short in both of these fields, and also that we would need steel for repair and everything in that line.

The CHAIRMAN. And that statement was made long after the ECA had been under consideration?

Mr. STEFAN. Yes.

The CHAIRMAN. That is another part that you get from the Commerce Department, Mr. Harriman.

Mr. HARRIMAN. Do not look at me, Mr. Chairman.

The CHAIRMAN. You want me to look somewhere else now?

Mr. HARRIMAN. Yes.

Mr. FOSTER. Mr. Chairman, I think it is perfectly true, as Mr. Stefan has just pointed out, that there will be a drain on this country to some extent. There is no way in the world in which we can ship short items abroad without affecting our own people. The question to decide is whether, in spite of the fact that our own people may have

a lesser amount of certain items, in certain categories, in spite of that fact, is the national interest not better served by sending some of this machinery over where it can contribute even more usefully to the over-all national interest. Now, the farm machinery——

Mr. CASE. That gets right back to the question of whether it can contribute more than can be done in the United States. And there is a very grave question in my mind whether taking these tractors and putting them on little farms in Greece or in Turkey or Italy or in western Germany will produce more food this year, in 1948, than would be the case if they were applied to some of our broad acres in Texas, Kansas, or Nebraska, or some of the other States where they are accustomed to using machinery of that type in production.

Mr. FOSTER. I do not pretend to be an agricultural expert, and I know that you are.

Mr. CASE. No; I am not, but I do come from a section of the country that is accustomed to the use of power machinery in the production of food, and through this whole program it calls for the export of food products as well as other things.

Mr. FOSTER. It has been stated by people whose judgment I respect right here recently, that our own farmers have a considerably higher level of such equipment than ever in their history before.

Mr. CASE. Where did you get that statement, since half of them tried to piece together their equipment to start in, when the war came on, and tried to carry along; many farmers have told me that they gave away as scrap, during the scrap drive, better machinery than they are compelled to farm with today.

Mr. FOSTER. In spite of that fact, Mr. Case, the level of production in the years since the war have been substantially higher than in the years prior to the war.

Mr. CASE. Because a lot of the boys have gone back on the farm.

Mr. FOSTER. The statements which I quoted come from the Department of Agriculture, and I have no basis for questioning those statements. I think also the statement has been made by the experts that the export of this type of equipment overseas will increase, to a much higher proportion, the rate of production of food over there, and that the net result will be to lower the drain on our food supplies to a greater extent than if it were used here. Again, as I say, I am not an agricultural expert.

Mr. CASE. We have a member of this committee who has served for a great many years on the Committee on Appropriations handling the Agricultural appropriation, Mr. Cannon, and I just wonder if the figures you have just given coincide with the testimony that has come before the committee.

Mr. CANNON. I think we have heard it said before this committee, repeatedly, that we are shipping abroad, or are preparing to ship abroad certain quotas of our own production of farm machinery, and that notwithstanding the increased production of machinery and the heavy exports of American machinery today, the American farmer is receiving more machinery than he ever received in the history of the United States. I would like to know if that is correct.

Mr. FOSTER. That is correct.

Mr. CANNON. We also have had testimony to the effect that the right sort of machinery at the right place in Europe will produce more food at less cost than if used on this side, considering the trans-

portation costs and the many other subtractions that must be made. I would like to know if that is correct.

Mr. FOSTER. That is also correct, Mr. Cannon.

MAXIMUM PROCUREMENT OF MATERIALS THROUGH REGULAR TRADE CHANNELS

Mr. CANNON. I would like to ask you, Mr. Secretary, or Mr. Hoffman: Do you expect to make purchases under this program, or do you expect to buy them through the regular trade channels, or do you expect to buy through Government agencies, or what is to be the policy?

Mr. HOFFMAN. The policy as set out in the enabling act calls for making the maximum use of the normal trade channels, which we expect to do. As you know the vast part of the purchases of coal come through the normal channels, and I would answer again, that there is no certainty now as to the question of certain grains that are now being purchased by the Commodity Credit Corporation cannot be purchased advantageously through private channels, but there is no decision on that. But we think our directive is very definitely in that direction, and we propose to carry it out to the greatest extent.

Mr. STEFAN. May I interrupt you for a question, Mr. Cannon?

Mr. CANNON. I yield to the gentleman from Nebraska, yes.

Mr. STEFAN. Buying through these regular trade channels will be done with funds that we advance for grants, and so on?

Mr. HOFFMAN. Yes.

Mr. STEFAN. But how about the situation where you are making a loan, and so on?

Mr. HOFFMAN. They will have their own purchasing agents here and the purchasing will be done through either the regular export-import channels or in some way by the missions, and in all areas where there is a shortage that will be policed through the Commerce Department.

Mr. STEFAN. You understand that I mean by that, these 16 participating countries; they will have their agencies here buying through the regular trade channels?

Mr. HOFFMAN. That is correct.

Mr. STEFAN. In some categories?

Mr. HOFFMAN. Yes.

Mr. STEFAN. It would be through the Government agencies with the money that we advance.

Mr. CANNON. With reference to commodities, you have as Government agencies, the Commodity Credit Corporation, you have the Army Quartermaster Corps and the Bureau of Federal Supply; but your policy, wherever practicable, will be to employ private trade channels?

Mr. HOFFMAN. Yes.

Mr. CANNON. Using private agencies?

Mr. HOFFMAN. Yes.

Mr. CANNON. I take it for granted that in certain countries like Greece, Austria, and bizonal Germany that you will not have available a distributing system; you will not have available private trading agencies to handle this business, and business of a character like that will have to depend upon the Government agency?

Mr. HOFFMAN. Yes.

REQUIREMENT FOR SHIPMENTS IN AMERICAN BOTTOMS

Mr. CANNON. That also applies to shipping. Do you expect to ship in American bottoms, or do you have any policy along that line?

Mr. HOFFMAN. Yes; and also the enabling act carries a directive—I cannot quote it off-hand—but as far as the program itself is concerned, we are to ship 50 percent of what we are to send over in American bottoms. So, we are trying to work out there a practicable program, where in total and also by areas, the shipments will be about 50–50. In other words, we called in the shipping people and they do not want everything shipped to Greece in American bottoms, or everything to France in French bottoms. They asked us, and there is no reason why we cannot work that matter out, and Captain Conway is our expert in that field, and he feels that he can work out a program that will mean about 50 percent of what we ship in American bottoms.

Mr. CASE. May I interrupt to ask a question: Where they are shipped in the bottoms of these countries are the shipping charges to be paid for in local currency?

Mr. HOFFMAN. No; the shipping charges, so far as I know—and perhaps I should check on this—but certainly my information is that if we ship in our bottoms that we will pay in American dollars.

Mr. CHASE. Then what use will be made of the local currency?

Mr. HOFFMAN. The local currency fund will be used——

Mr. HARRIMAN. Mr. Conway told me that they will pay for their own; I understand that the local countries will pay for their own shipping.

Mr. CASE. They will pay for their own?

Mr. HARRIMAN. That is what I understand.

Mr. HOFFMAN. I am not certain what the situation is. We are still working on that.

Mr. STEFAN. Did I not understand, if I may interrupt, that in the case of coal for which we paid about $12, that we are going to pay for in American dollars?

Mr. HARRIMAN. When shipped in American bottoms.

Mr. STEFAN. If we use American bottoms we will pay in American dollars.

Mr. HARRIMAN. That is right.

Mr. HOFFMAN. We can get that information for you.

Mr. CANNON. What is your policy, to ship at least 50 percent, employ American ships and transport at least 50 percent of the materials which you ship under this program and to allow the purchasing agency to choose what particular line it will employ, or will you dictate to them what private line is to carry the goods?

Mr. HOFFMAN. I cannot answer that, Mr. Cannon. I do not know. I can find out at the same time we ask for the other information.

Mr. FOSTER. I think so far as the use of bottoms is concerned, the transaction would be in the normal commercial channels.

Mr. CANNON. It would be through the normal trade channels, assuming 50 percent were the amount?

Mr. FOSTER. I think 50 percent is on the materials which they could purchase.

Mr. CANNON. In the rehabilitation program, Mr. Director, will you choose, in financing programs, long time programs, say those

requiring 4 or 5 years to get results, or will you favor and give priority to those projects which will secure immediate results?

Mr. HOFFMAN. We are certainly going to make every effort to get the quickest results in the way of recovery. I think the long term products are possibly those lying ahead of us where the World Bank might be brought in. I think that is one of the possibilities; but if we can accumulate block currency we might be able, in given projects, to use that currency for a part of the financing through the World Bank, by putting up the equity money; that is one of the possible uses of this currency.

But to answer your question directly, certainly we will attempt and we are going to select those particular projects where we can get quick results.

ADJUSTMENT AND REVISION OF PROGRAM TO MEET CHANGING CONDITIONS

Mr. CANNON. We have had a great many figures presented before us in the last week or so about the prewar shipments to various countries of various commodities and the needs of various countries under this program, and so on.

Do those figures represent a primary directive you feel you must follow, or will you feel at liberty to adjust the amount to fit the occasion of any particular commodity in any particular country?

Mr. HOFFMAN. I feel that these figures are very carefully arrived at, through a very careful study, but we would certainly feel that we should have the right to change the program as changing circumstances make it desirable to do so.

Mr. CANNON. Suppose some of these countries, which did not receive as much of any particular commodity as they thought they should receive or would like to have or thought they were entitled to have were to get hold of these figures used in considering the appropriation, which showed that there was a need here of so much, and that the committee questioned you on that and finally accepted the figures indicated, and say that they have every right to a certain amount and to certain commodities, and that you are obligated to the United States, and honor bound, in good faith, to see that they get the amount that was demonstrated as being needed before the Committee on Appropriations?

Mr. HOFFMAN. We would not feel bound, in the slightest way, if changed conditions had made a change desirable, or if the advance, we will say, for construction is not producing the results we anticipated.

Mr. CANNON. You would feel at liberty, if it became necessary for you to do so, to exert a little economic pressure; you would feel at liberty to do that?

Mr. HOFFMAN. We expect to do a great deal of hard trading.

Mr. CANNON. Notwithstanding the testimony before the committee.

Mr. HOFFMAN. Yes; unless otherwise directed.

Mr. CANNON. I judge from the testimony you have given here today, that while you want to take care of the European needs, you are going, at the same time, to give consideration to making these allotments in light of the domestic needs, and of the impact of the exports upon our domestic supply. In other words, you do not expect, or do you expect, to ship abroad commodities which are needed here

at home, as to seriously impair our domestic supply and our domestic output?

Mr. HOFFMAN. The exercise of judgment is involved, but I think the words "safely" and "wisely" still apply, and certainly we would be bound by that in considering the actual impact upon our economy.

PROHIBITION AGAINST SHIPMENT OF COMMODITIES FROM PARTICIPATING COUNTRY TO NONPARTICIPATING COUNTRY

Mr. CANNON. I think the Mundt amendment was very wisely adopted, providing that commodities shall not be included in these programs which are to be used in the manufacture in countries of other products for transshipment to other countries. Just how do you expect to interpret or carry out that amendment?

Mr. HOFFMAN. It is going to be difficult to administer, but I think we are approaching that program in this way: First of all, we have a right to take a look at the over-all program where we are giving assistance to a country. In other words, we are providing exchange, and even that is being provided for special items; and we are operating under the Mundt amendment, also the enabling act itself, which specifies that goods should not be shipped out of a participating country to a nonparticipating country and that we have to meet the directive that the program is directed at the entire economy; and, if we find that such goods are being manufactured and transshipped to another country, I think we have a perfect right to say that under those circumstances we do not believe that the American dollars should go to those countries that engage in that kind of manufacture and transshipment to other countries.

DISCUSSION OF EXPORTATIONS BY ENGLAND TO RUSSIA

Mr. STEFAN. But you do not have a break-down or the details of that agreement between England and Russia, you know.

Mr. CANNON. And these newspaper reports, some of which seem to be well founded, and which may or may not be authentic, were to the effect that England is shipping Rolls-Royce jet engines to Russia in the first place, as far as the information is correct, and in the second place, if correct, are they using American steel or other American commodities in the fabrication of those engines?

Mr. HOFFMAN. In the first place, I do not know whether that report is correct or not.

Mr. CANNON. If they are being shipped to Russia, is American material being used in their fabrication?

Mr. HOFFMAN. That I would not know, sir.

Mr. CASE. How could anybody know?

Mr. HOFFMAN. I do not know.

Mr. CANNON. Whether they are being so used or not, are we sending steel over there, for example, or copper or other strategic materials which are being used for other manufacturing purposes which, if we were not supplying them, would prevent them from shipping these engines to Russia? It may be that the actual steel that we are shipping to them is not being used in these particular engines, and it may be that it is being used for other purposes which otherwise would prevent the shipment of these engines to Russia.

Mr. HOFFMAN. I would think, sir, that we have a clear right, as long as we are furnishing this aid to countries to request, perhaps—this is the way to put this—to request that they give due consideration to the fact that we are furnishing this aid and to make certain adjustments in any shipments that they have in mind of that type.

Mr. CASE. We have the right, but could we exercise it?

Mr. CANNON. In this case, where this is being done, you would not hesitate to exercise your prerogative in that respect?

Mr. HOFFMAN. No, sir.

Mr. CANNON. Now, it is also being said, and this may not be authentic, but it is claimed that England is also exporting to Russia a considerable supply of electrical equipment and that she is not selling it to them but exchanging it for coarse grains, of which England is in dire need, but that if this electrical equipment were not exported to Russia for grain that there would be no trade between the two countries, and England could not secure the grain. Are you familiar with that situation?

Mr. HOFFMAN. No, sir.

Mr. CANNON. If you did find that such a situation obtained, what would be your course of action?

Mr. HOFFMAN. Well, I would be inclined to try to find out what they were using the electrical equipment for. If it were electrical equipment that did not add to the war potential of Russia, I would say that it was a perfectly legitimate trade transaction. If it were for some war potential, I think we would have a good right now to make certain requests.

Mr. CANNON. In general, all of your present plans and policies are subject to revision. I believe you are authorized under the substantive law to make such revision of policies as seem to you necessary at any time.

Mr. HOFFMAN. Yes, sir.

Mr. CANNON. So that in a large measure this early most of your decisions are tentative?

Mr. HOFFMAN. Yes, sir.

Mr. CANNON. That is all.

Mr. KEEFE. Mr. Chairman, I would like to ask some questions of Mr. Hoffman right in line with the questions which were asked by the gentleman from Missouri.

Mr. KEEFE. I have a neighbor living next door to me, we will assume, who comes to me and says, "I am in distress. My family is finding difficulty to get enough food. Will you help me?" And I say to him, "Well, my friend, I would like to help you, but I notice that you are able to run an automobile and go out every evening and on Sundays and operate that automobile"; and he says, "Well, if you will help me to get some food and some things that we need in the house, we will not run the automobile"; and so I give him some money to enable him to supplement his income; and then I observe that next week end that he is still running the automobile, and I question him about it, and he says, "Oh, I am not using your money for the running of the automobile. I used the money you gave me to buy food."

Now, I can understand that situation, and to me the difficulty that you are confronted with is the same difficulty.

If we are furnishing steel to Great Britain, for example, or any other commodity that may be fabricated into a finished commodity and

Great Britain is selling that finished commodity to Russia or to some other country, and we do not like it, she says: "Why, we are not using the steel that you send us to make this. We are using that to meet our other demands."

You will find yourself up against further difficulty when you try to pin this situation down to commingled property of any kind that goes into the fabrication of the over-all economy of the Nation and try to identify it so as to separate it out and try to say you may not ship this, that, or the other thing.

Mr. HOFFMAN. That is why I say we have to make an over-all approach to this.

Mr. KEEFE. It has to be an over-all approach, does it not?

Mr. HOFFMAN. Yes, sir, it has to be an over-all approach.

Mr. KEEFE. It seems to me definitely that is what it has to be.

Mr. HOFFMAN. Otherwise that would mean that we would give up any right to have any say whatever as to what was built and shipped to the nonparticipating countries, and we do not give up that right.

OVER-ALL POLICY OF PROCUREMENT

Mr. KEEFE. Well, now, I am interested in this question of procurement. You know that I have asked questions about that right along as an over-all policy, and I do because of a colloquy which I had with Mr. Bruce when he was here before the Committee on this question of procurement. Now, I understand that as an over-all policy on the question of procurement in this country you are going to use and utilize the facilities of established trade practices wherever it is possible to do so.

Mr. HOFFMAN. Yes, sir.

Mr. KEEFE. And you are not going to utilize Government procurement agencies to go into the market and compete against established procurement agencies and import firms, and so forth, that are already in existence, is that about it?

Mr. HOFFMAN. That is very clearly directed, and that will be what we will do, sir.

AVAILABILITY OF SUPPLIES OF COMMODITIES UNDER PROGRAM

Mr. KEEFE. Yes. Now, on this question of availability of supplies, and especially on this question of farm machinery, I am glad to know that Mr. Foster has indicated in an over-all general statement that whatever we ship to Europe whether it is farm machinery or whatever else it is, unless it is a farm surplus commodity in this country, it is going to take away from the people of this country by that amount, and the over-all question is whether the American people, in the face of the knowledge that they are expected to make some sacrifices, are willing to make that sacrifice as a result of attaining the over-all objective which we have in mind, and if you put it upon that basis to the American people they will courageously face that issue.

I am glad to note that this afternoon there has not been any of the hair-splitting idea by which you are attempting to convince the American farmer that he has more farm machinery available to him than he had last year. He has in number of units of production more available this year, and production has been stepped up, but the fact is that the pent-up accumulated demand has increased so dispropor-

tionately that the farmer who wants that farm machinery, or who wants that tractor is against competition which makes it more difficult for him to get it today than it was to get it some years ago, even in the face of this stepped-up production.

So, when we are talking to the American farmer and saying: "Here, my friend, look here we only produced so many units of farm machinery last year and we are producing 20 percent more units of farm machinery this next year, and we are only taking 8 percent of those units to send abroad, and, therefore, you are going to have more units of farm machinery available to you," he is not going to pay very much attention to that when he finds that instead of there being 5 farmers in each location who want a tractor there are 25 of them who want that available tractor, do you not see?

So that, in discussing this question of percentages available due to increase of production it is purely a relative thing that must be related to the pent-up demand in this country which has accumulated as a result of the inability to supply these things during the war.

So I hope that in the publicity that is given out by your Administration, Mr. Hoffman, and the Commerce Department, will not attempt to stultify the situation by trying to make the farmer believe that he is going to be better off than he has been because, so far as the individual farmer is concerned, he knows better, and he knows that every tractor that we ship over there is going to lessen the opportunity for him to get a tractor, and he knows that every piece of farm machinery that we ship over there is going to lessen his opportunity to get that farm machinery, and the picture should be presented to him along the line that, "Mr. Farmer, you have made a great contribution to this over-all situation, and the end objective is to provide a market for your products that you raise here in this country and to get these people on their feet, and we believe that it is a worth-while and laudable objective, and to attain it you may have to make some further sacrifices." I believe that the farm people and the people of America if it is presented to them in the right light will support the program. Any attempt to gloss this over with a lot of malarky about how much better off they are going to be next year because we have stepped-up production is not going to sell this program. I am trying to impress upon you that this is a 4-year program and not a 1-year program, and unless it has the American people behind it in its operation next year you are going to run into difficulties.

I voted for this program, and I want to see this program implemented and carried out and administered so that it will work, and so that it can be presented to the American people on the basis for which I voted for it, namely, that it ought to be in the interest ultimately of the welfare of our country, even though it may entail some sacrifices.

Now, that is the only way it should be presented.

I do not like the publicity that has come out to the American people on this thing. I think it is the wrong kind of publicity and it has given rise to all of these stories such as Mr. Cannon referred to, and after all no program will obtain public support for long unless it can be shown to the American people themselves that it is in their best self interest ultimately to support this program.

Mr. HOFFMAN. Mr. Keefe, I think you are entirely right. I think any other approach to the American people than an honest approach

and a statement of the honest facts in the matter would be utterly unsound public relations. I think you must see that the Harriman report made it quite clear that this program could not be carried out unless there were some sacrifices made on the part of the American people, but it is my belief, and I think it is yours, that the long-run benefits of this program from every standpoint are such that it can be one of the best investments ever made by America. That is my belief, or I would not be where I am, but that does not mean that giving $5,300,000,000 in tax money is not $5,300,000,000, because it is, and we have not ever advanced the idea that that money was coming off of bushes. It is coming out of hard work of the American people.

Mr. CASE. You used the word, "giving." You expect, then, that this is going to be a gift, do you not?

Mr. HOFFMAN. Of the total $5,300,000,000 we are under a directive to put $1,000,000,000 into loans.

Mr. WIGGLESWORTH. As a maximum.

Mr. HOFFMAN. And we might be able to put more of it into loans. We do not know at the present time.

DISCUSSION OF METHOD OF FINANCING ECA PROGRAM

Mr. KEEFE. That is just exactly the question that I was coming to next, Mr. Hoffman.

There has been a good deal of discussion here relating to this so-called balance-of-payment business as between nations.

When you set up the requirements of these various nations the statistical information shows that portion of the total requirements that is to be financed with ECA funds.

Now, that financing may be in the form of grants, which are gifts, or it may be in the form of loans.

You are under an obligation to protect this $5,300,000,000 as much as possible to insure the eventual repayment of, at least, $1,000,000,000 of it which would account for the public debt transaction under which you got the initial billion dollars under which you are now operating.

I assume that consideration must have been given to the possibility of enlarging that possibly as a result of this procurement policy which makes the transactions in the handling of this material transactions in the normal course of trade by which an individual concern in Norway or Sweden or France, or in any other one of these countries could, eventually, when they get on their feet, repay the temporary aid and assistance which they needed to rehabilitate them.

Now, how are you going to determine whether the aid should be in the form of a direct grant, or whether it should be in the form of a loan? Has any policy been developed along that line?

Mr. HOFFMAN. We are under instruction, sir, of course, to consult with the NAC, the National Advisory Council, which we have done; and the basic criteria by which we have to decide whether to make a grant or loan to a country is whether we think the money will be repaid some day. In other words, for example, in the case of Greece and Austria, it is simple; it would be quite foolish to take any notes from either Austria or Greece, because at no time in the foreseeable future will they ever be able to pay back that money. You are merely taking bad paper, and you know it is bad when you take it.

In the case of Portugal and in the case of Switzerland, it is very foolish to take anything but all cash from them; because they are in just as good shape as we are, and, therefore, they will pay cash for anything that they take.

In the case of other countries which are in relatively good shape we feel justified, for example, in requiring 80 percent loans in some cases and 100 percent loans in other cases. We are proceeding in a business-like way.

When you get down to other countries where you hope that this recovery program will aid them, and you hope that in 10 or 15 years from now, or, perhaps, starting sooner than that, they will be in shape to repay, it is a matter of judgment, and you have to deal with them accordingly.

No one could defend, for example, a division on the basis of 80 percent loans and 20 percent grants or, we will say, 20 percent loans and 80 percent grants and be certain that that judgment was correct. All you can do is bring the best judgment to bear that you can on the problem, which we are doing.

We have one man, I think, working for us now on contemplated loans, one of the best balance-of-payment men probably in the country, and we have, of course, through the National Advisory Council the very best people in the Government, so that insofar as we can bring good judgment to bear on that we are doing so.

Mr. KEEFE. Well, now, on this balance of payment business the contention has frequently been made in certain sections of the American press, and the matter has been referred to time and again on the floor of the House, that Great Britain has certain available resources in the form of excess collateral deposited with the RFC on loans heretofore made. We have not gone into those questions yet. We are reserving those questions for the Treasury Department when they come before the committee, as I understand it.

I assume that that whole question will be canvassed and gone over by you as Administrator in the determination of whether or not it is possible to make available any such collateral?

Mr. HOFFMAN. Yes, sir. I do think that that has been done even in this first quarter's allocations. We have tried ourselves and through the NAC to take into account all the possibilities of repayment in these countries. We have tried to make a general appraisal of the credit position of the country in all cases.

Mr. KEEFE. Now, we have displayed here in the figures before this committee the over-all need over the period of the first 15 months of operation in these 16 participating countries, and you presently have available $1,000,000,000.

Mr. HOFFMAN. Yes, sir.

Mr. KEEFE. Which can be utilized for administrative expenses and for allocations in connection with this program.

Mr. HOFFMAN. Yes, sir.

METHOD OF ALLOCATING FUNDS PRESENTLY AVAILABLE

Mr. KEEFE. How do you obligate those funds as between nations?

Mr. HOFFMAN. Allocate them?

Mr. KEEFE. Well, allocate them or obligate them, I do not care which.

Mr. HOFFMAN. Well, there again we have the request of the coun-

tries and under the program developed, and which has been submitted to you, there were certain tentative allocations made. We certainly did not feel bound by those, because the first quarter's allocations are being kept at a fairly low level. Up to now we have only signed requests for something over $100,000,000, and we have been in business for a little over a month.

As we go along we intend to revise that and actually we are going to try to allocate the money as between nations in accordance with our judgment and as to what comes to us in the way of procurements from those nations which will be measured in terms of recovery and increased productivity by them from the farms and the land which will produce the results we want.

DISCUSSION OF LEVEL OF RECOVERY TO BE SOUGHT IN PARTICIPATING COUNTRIES

Mr. KEEFE. I have tried repeatedly to get information in this record to indicate, as near as possible, the level of recovery that we are seeking to achieve as a result of this program. I realize the difficulties of concretely giving expression to that, but there must be some target that we are shooting at some place along this line that would indicate the level of recovery that may be anticipated in this program at some specific time.

Mr. HOFFMAN. I have given, perhaps, too specific objectives, because in setting a target you have got to make considerable allowances or tolerances. As I say, I have been too specific, but after we got through with our studies made in connection with the Harriman Report last summer I came out with, perhaps, the rather pragmatic belief that if we were going to have the level of prosperity that we wanted in the 16 nations plus Germany it was going to take about a one-third increase in output. That takes into account 10,000,000 more people that they have too, and that takes into account the need of adequate defense establishments in those countries, and as I say if you say that should be 28 percent or that it should be 29 percent, I will not argue with you.

Mr. WIGGLESWORTH. You mean the average for the 16 countries?

Mr. HOFFMAN. Yes, on an over-all basis.

In other words, to put it in terms of dollars, it seemed to me that as against our $200,000,000,000 of income last year for 140,000,000 people that if the 260,000,000 people in Europe had a $135,000,000,000 income instead of a $100,000,000,000 income that they would be tolerably well off.

At the same time I do not see how anyone could complain about their living in luxury when their income per person would, of course, be only a small percentage of what ours is in this country.

NEED FOR ADJUSTMENTS IN PROGRAM TO MEET CHANGING CONDITIONS

Mr. KEEFE. Well, of course, all of these estimates, Mr. Hoffman, are not too realistic because there are so many imponderables involved in the situation that you cannot predict with any degree of certainty. You do not know what the crop situation is going to be in those countries or in our country.

Mr. HOFFMAN. Yes, I know that.

Mr. KEEFE. That may all completely be changed and may require constant survey and perhaps changes will have to be made accordingly because it all relates to the question of our ability to maintain this shipment abroad.

Mr. HOFFMAN. Yes, sir, that is right.

Mr. KEEFE. And the same thing holds true if we should have an interruption in transportation in this country, if the railroads of this country were to shut down for a long period of time.

Mr. HOFFMAN. We would have to very sharply alter our program.

Mr. KEEFE. You would have to change it completely, would you not?

Mr. HOFFMAN. Yes, sir.

Mr. KEEFE. And you should be prepared to deal with that.

Mr. HOFFMAN. Yes, sir.

Mr. KEEFE. So that the program itself must have a tremendous amount of flexibility in order to be able to adjust it to changes which you cannot foresee now or predict with absolute certainty?

Mr. HOFFMAN. Yes, sir. I just happened to find here the testimony in front of me which I gave before, and I think about the last thing I said was:

> We must be prepared to shift our plans quickly to meet changing conditions. In other words, close supervision and high flexibility are both essential if we are to get the most out of our dollars.

I might add to that also that we must have high flexibility if we are to meet changing conditions from the standpoint of availability. We have to have that flexibility in this situation.

Mr. KEEFE. I do not think I have any further questions, Mr. Chairman.

Mr. WIGGLESWORTH. Mr. Mahon.

USE OF HORSES AND LIVESTOCK IN PROGRAM

Mr. MAHON. Mr. Administrator, you have taken up a lot of time talking about farm machinery and tractors. In my State of Texas and in Mr. Case's State of South Dakota, and in many other States we produce a considerable number of horses and livestock. I would like to have you make, and I think it is your duty to have a special study made to ascertain whether or not there is some way to utilize these surplus horses and livestock on the great farms and ranches of the West in this program as a substitute for tractors wherever that might be feasible.

Mr. HOFFMAN. I would be glad to do it. It may be something that should have been done before. I am a little at a loss about that because I had assumed that Dr. Fitzgerald had given that information to the committee.

Mr. MAHON. He has given us extensive information, but that particular point has not heretofore been raised in the hearing, and I think it proper that it should be raised and that an adequate answer should be supplied. I realize that you cannot supply it off the cuff, so we will forget that for the moment.

Mr. HOFFMAN. We have had some question about mules from Missouri, so we will put that in too.

Mr. CANNON. The most indestructible farm implement ever devised.

Mr. MAHON. Yes. On the radio we hear about the $64 question. The $64 word in these hearings is the word "tentative." Everything seems to be tentative.

NEED FOR UNDERSTANDING OF FLEXIBILITY OF PROGRAM TO MEET CHANGING CONDITIONS

I would be impatient with that situation were it not true that there seems to be no way to have it otherwise. It sort of disturbs me. When Mr. Harriman becomes ensconced in his offices in Paris, I am a little fearful that some representative of some country might come along and say "Mr. Harriman, by the way, you have a copy of the House hearings, and I want you to consult that chart which shows the ECA shipments which are to come to my country." He might say "If you will look down the column, you will see we are to get through ECA financing so many tons of grain, so many tons of fats and oils, oil cake and meal, sugar, meat, dairy products, eggs, rice, machinery, freight cars, trucks, scrap iron, etc." and he might conclude by saying "Now, just when are we going to be able to get these shipments which we understand we are scheduled to receive and that it has already been printed in the paper that we are supposed to receive? Of course, Mr. Ambassador, it would be most embarrassing if you did not come through with what our people were led to believe we were to get out of this program."

Now, in just what kind of a spot are you going to be, Mr. Harriman, and in what kind of a spot are you going to be, Mr. Hoffman, in regard to that question? They may not have a word that corresponds exactly to your word "tentative," and they may not read the fine print of the statement.

Mr. HARRIMAN. I did a similar sort of thing during the war when I was in England, and they soon got very clearly in mind that anything that was developed in the way of a program as against a question of authorization had to be justified and very specifically justified. They are hard at work in Paris at the present time trying to develop a program for the third quarter of the year, and I am going over there and expect to meet with them on Monday, and I think at least that part of their education is in pretty good shape. I do not expect to be embarrassed by such a question. It is conceivable it may be asked, but I think they already have it—if they have not got it, they will get it pretty quick—that the programs that are going to be submitted from Paris to Mr. Hoffman have to be justified, and I know I won't last very long in Paris unless we produce the justification for the recommendations that we make.

I do not know whether I can amplify that any, but his word "tentative" is a very definite word as far as I am concerned in terms of any program that we will approve when we get staffed to a point of approving them.

I must confess it is a very real necessity in the first instance to have an adequate staff. It will be some months before we can do the kind of job you would expect. Pending that time, we will have to make some further tentative recommendations and act on them, but when we get to acting, I do hope we can get the justifications for our recommendations not based on the schedules submitted here but based on the objectives of the Act and the results achieved by the programs as they are developed.

PAYMENT OF FREIGHT BY FOREIGN COUNTRIES

Mr. HOFFMAN. I would like to add to the question asked a short time ago about the payment of freight. You asked it, I believe, Mr. Cannon.

In most cases where the shipment is made in foreign bottoms, it will be paid for by the foreign government or the private purchaser, in the foreign country, which would mean, of course, paid in their currency. In some cases, however, because of an adverse balance situation, we will pay for the shipping in dollars, which means there is nothing you can do about this.

Mr. CANNON. In such a case, you would just be the shipping agent rather than the principal?

Mr. HOFFMAN. That is right. In general, the shipper, either the private or foreign government, will choose the shipping line, except that in case of direct United States procurement for Austria and Germany the United States Government will choose.

QUESTION AS TO APPOINTMENT OF ALFRED FRIENDLY

The CHAIRMAN. Now, Mr. Harriman, my attention has been called to an item in the paper that Alfred Friendly has been appointed as an assistant to you. Is that correct?

Mr. HARRIMAN. I am talking with Mr. Friendly. The arrangements are not concluded as yet.

The CHAIRMAN. Has he been cleared by the FBI?

Mr. HARRIMAN. Under the law, we take people on and then they get cleared.

The CHAIRMAN. I was wondering if his ideas on socialism and that sort of thing coincided with the approach of the Administration.

Mr. HARRIMAN. Well, at the present time Mr. Friendly is a reporter for the Washington Post. He is a loyal American, in my judgment, and he has an understanding of some of the problems that exist in Europe, and I think he could be useful to us in dealing on the information side of the information problem we have over there.

The CHAIRMAN. I just wanted to know about what the attitude was.

(Discussion off the record.)

Mr. CANNON. Is he responsible just for the material appearing under his name, or does he write it himself?

Mr. HARRIMAN. He writes it himself. I am talking to him about using him in the information service.

Mr. MAHON. In Paris?

Mr. HARRIMAN. In Paris; yes, sir.

Mr. FOSTER. All of those people will be cleared, Mr. Chairman.

Mr. HARRIMAN. As I understand it, the procedure is that we can take people on and then they get cleared; because it takes months to do that.

Mr. MAHON. There will be none in your entire organization who have not been cleared by the FBI?

Mr. HARRIMAN. As I understand, we have a right to take them on and then they have to clear them.

Mr. HOFFMAN. We make two checks of every employee. One is a check of their record, and in addition to that, we make a full FBI

check. Sometimes that takes as much as 60 days to get. If there is anything in their record that the FBI flags us on, we just do not take them on afterward. They understand they are on temporarily, and if the FBI, after a full investigation, reports they are a type of person we should not have in the organization, their employment is temporary and they just do not go along with us.

Mr. MAHON. Who interprets the report? Does the FBI interpret the report and say, "This man is a Communist" or do they merely submit it to you and leave it up to you to say whether he is a Communist or not? Who decides whether that data demonstrates his socialistic tendencies?

Mr. HOFFMAN. We have not been in existence for 60 days as yet, so all we have had so far is what we call spot checks.

Mr. MAHON. The likelihood is that the two agencies would agree; that you would not approve him unless the FBI did, and the BFI would not approve him unless you did?

Mr. HOFFMAN. I cannot answer your question directly. I do not know whether the FBI would come out flatly and say the record is bad or that they interpret it as bad.

Mr. FOSTER. The FBI will never make that statement. It will merely submit to you the facts, and the determination has to be made by the Administrator whether he thinks the facts are such that he should not be taken on.

Mr. HARRIMAN. May I say that Mr. Friendly has been writing, broadly speaking, on labor questions as such; they are among the things he covers. We have a major problem in our information service in that general field. That is an area in Europe where the Communists are making most violent attacks and where they have penetrated, and it is extremely important in our information service to get across to the workmen of Europe that these accusations they are constantly making out of Moscow hour after hour and day after day, printed in the Communist-controlled newspapers, about American imperialism and the colonizing of those countries and everything else—we have got to get across to those people through our information service what the objectives of Congress and the people of the United States are, and we have got to have people who understand the psychology that can get that subject across.

I am satisfied Mr. Friendly is as much 100 percent American as anybody in this room. That is my judgment of him. He does understand and has been writing about the psychology of workmen; he has been to Europe and served in our Army during the war on very secret work and was cleared by the Army during the war, and his record there is good, and he has been in Europe recently and has made reports, and Mr. Eugene Meyer personally thinks very highly of him, and so does Mr. Philip Graham, who is the publisher of the paper.

I have known him for a number of years, and he is an intelligent, resourceful fellow, and the reason I am talking to him is I think he can help us in Europe in getting the workmen of those countries to understand what our objectives are. It is a very complicated thing to get across, because they will pay for the food that is shipped, and they do-not see these objectives in their own daily lives, and with the constant pressure of other sources we have to get across to them what the objectives of this program are.

My judgment is he will be an extremely valuable member of the staff on that type of work, on my staff over there.

The CHAIRMAN. From what I have heard, I know of nothing that would tend to destroy the confidence of the American people in the program as much as the participation of this gentleman and others of the same philosophy in it.

Mr. HOFFMAN. I have just been reading over the act here, and it puts a great obligation on us.

Mr. KEEFE. If this man is not presently employed, it would look as though the act says no citizen or resident of the United States may be employed, or, if already employed, may be assigned to duties by the Secretary of State or the Administrator under this title for a period to exceed 3 months unless such individual has been investigated as to loyalty and security by the Federal Bureau of Investigation——

The CHAIRMAN. I was not questioning his loyalty to the United States as against Russia; that is not the thought I had.

Mr. KEEFE. Under that language, would you have the right to employ him at all until he has been cleared?

Mr. HOFFMAN. Yes. We have a spot check made on everybody that comes in, and unless they are cleared, if there is anything in their record at all that stands out, it is flagged. In addition to that, the FBI, under this provision, is required to make this very thorough investigation. That, as I say, we have not gotten on anyone, because we have not been in business long enough. But when that record comes in, then it says here:

* * * and a report thereon has been made to the Secretary of State and the Administrator, and until the Secretary of State or the Administrator has certified in writing (and filed copies thereof with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs), that, after full consideration of such report, he believes such individual is loyal to the United States, its Constitution, and form of government, and is not now and has never been a member of any organization advocating contrary views.

Mr. WIGGLESWORTH. That all has to be done——

Mr. HOFFMAN. Within 90 days.

Mr. KEEFE. Mr. Harriman, I do not know this man at all; I do not know anything about him. In your opinion, is this a man who believes in the objectives of the Marshall plan?

Mr. HARRIMAN. There is no question about that. He is an important member of the staff of the Washington Post. Mr. Eugene Meyer, as I say, and the publisher, Philip Graham, both think very highly of him. He has been writing generally on labor questions. His name appears every other day or so in articles on the front page of the Post.

There is no question in my mind about his loyalty. He would have to be checked by the FBI. The question which I understand the chairman raised is the broader question as to whether his presence in Paris would destroy the confidence of the American people in this program.

I want to say this, Mr. Chairman, that there are 140,000,000 people in the United States, and a very large number of them are laboring people, and I do not know of anything in his record which does not make him stand very high with the laboring people of this country. The laboring people and the labor unions of this country have supported this program—all but the Communist-controlled groups. The A. F. of L. and the CIO and the railroad people have

supported; and, in fact, this program, if it is administered correctly, represents a large body of the American public, and I think you have to have a balanced staff.

There is criticism of the bringing in of bankers into the program. I think we have to have some bankers in it. I was a banker in my time. I think you have to have people who are balanced; you have to have a balanced staff representing the points of view of the different groups in this country.

They may not be men in whom you personally have confidence, Mr. Chairman; some of the people we have on the staff may not be people in whom someone else may have confidence, but I think we have to have a balanced group, and in connection with the job of getting information to the working people of Europe, I think Mr. Friendly can render a very important service. Unless you could have the services of such a man who has had experience in that field and understands the psychology of the working people——

The CHAIRMAN. I am not sure he does, from what I have heard.

Mr. HARRIMAN. We are not going to be able properly to administer it.

Mr. MAHON. Is he, in any sense, a political writer, or does he write articles?

Mr. HOFFMAN. Anybody who writes on labor has a difficult assignment.

Mr. HARRIMAN. He is one of the main reporters who writes under his own byline, of which there are some four or five who appear currently.

Mr. WIGGLESWORTH. Was he ever in any labor organization or in the ranks of labor himself?

Mr. HARRIMAN. I do not think he has ever been employed by labor organizations.

Mr. WIGGLESWORTH. I mean was he himself in the ranks of labor.

Mr. Harriman. No; I do not think he has ever been. I do not think he has ever had anything to do with labor organizations, but I will check and find out.

Mr. HOFFMAN. He is rated very highly as a reporter by all those about him. As I said, he is rated very highly by Eugene Meyer, and I have a high opinion of Eugene Meyer.

Mr. HARRIMAN. He was one of the most valuable men I had while in London, on the staff of the Embassy. And Mr. Douglas, I think, will tell you the same thing, because of his experience and knowledge, that he was one of the most useful men I had when I was over there, and I believe he is one of the most useful members of their staff.

Mr. WIGGLESWORTH. You plan to hire him as a reporter and not as a representative of a labor union?

Mr. HARRIMAN. He was in the information service.

Mr. WIGGLESWORTH. By reason of his experience as a newspaperman?

Mr. HARRIMAN. Yes; and you will find, I believe, that among newspapermen he is well known and highly regarded. Certainly he could not afford to consider the job unless his heart and soul were in this program, because temporarily he will be giving up his profession. I think he is a very fine man. I would not be talking for him unless I considered him loyal. I know he was extremely helpful during the war, that he did some extremely confidential work for the Army.

Mr. WIGGLESWORTH. What was he going before that?

Mr. HARRIMAN. He has been a newspaperman; and his recent experience has been with the Post. And I know wherever the newspapermen meet he stands out among them, and is well known among them.

Mr. WIGGLESWORTH. Do you know what he did before that time?

Mr. HARRIMAN. I can get you the details of his record, covering what his work has been. Since he left the Army he has been with the Post.

Mr. HOFFMAN. It would be pretty easy to check on him.

Mr. HARRIMAN. Mr. Philip Graham, publisher of the Post, can give you his personal views, or Mr. Meyer.

Mr. HOFFMAN. Or you could get it from the Army. No doubt they had an FBI check.

Mr. HARRIMAN. We have not had an FBI check, but it will be made in a period of time.

The CHAIRMAN. I guess that is all we have this afternoon, gentlemen.

Mr. CAWLEY. I understand it is your plan to meet tomorrow morning, Mr.Chairman.

The CHAIRMAN. Yes.

Mr. Cawley. We will have the witnesses from Commerce here. I would like to take up the first thing in the morning the administrative aspects of this job, by pointing out a few adjustments in or interpretations of the appropriation language, which I would like to ask the committee to consider.

SATURDAY, MAY 8, 1948.

The CHAIRMAN. I believe you have something you want to say, Mr. Cawley.

PROPOSED APPROPRIATION LANGUAGE

Mr. CAWLEY. Mr. Chairman, to keep the record continuous, I would like to insert at this place in the record a copy of the proposed appropriation language which is listed on page A–1 of the justifications.

The CHAIRMAN. That is budget language, is it not?

Mr. CAWLEY. Yes, sir.

The CHAIRMAN. Well, I do not think we need that in the record.

Mr. CAWLEY. I would like to make a few comments and explanations concerning this language, which is the reason for asking its inclusion.

The CHAIRMAN. Put it in, then.

(The language is as follows:)

FUNDS APPROPRIATED TO THE PRESIDENT

FOREIGN ASSISTANCE

Economic cooperation: For expenses necessary to carry out the provisions (except subsec. 103 (b)) of the Economic Cooperation Act of 1948 (title I of Public Law 472, approved April 3, 1948), until April 3, 1949, including attendance at meetings concerned with the purposes of this appropriation; purchase (including one at not to exceed $3,000) and hire of passenger motor vehicles, purchase, maintenance, and operation of aircraft; deposits in the Treasury for penalty mail (39 U. S. C. 321 d); payment of claims pursuant to section 403 of the Federal Tort

Claims Act (28 U. S. C. 921); health-service program as authorized by law (5 U. S. C. 150); rents in the District of Columbia; transportation of privately owned automobiles; entertainment; exchange of funds without regard to section 3651 of the Revised Statutes; and loss by exchange; $4,245,000,000, of which not to exceed $200,000 shall be available for expenditures of a confidential character under the direction of the Administrator or the Deputy Administrator, who shall make a certificate of the amount of each such expenditure which he may think it advisable not to specify, and every such certificate shall be deemed a sufficient voucher for the amount therein certified.

PURCHASE OF TYPEWRITERS

Mr. CAWLEY. In the first place, we would like authority in this language to purchase typewriters without regard to the provision of the Treasury-Post Office Department Appropriation Act of 1949. That, as I recall, requires that all agencies obtain typewriters from surplus property.

The President, I understand, has just recently issued an Executive order requiring the agencies to do this in the current year, and in that order he has excepted the ECA. Now, we are going to get surplus property, just as much as we can possibly get, but we might find ourselves in a position where typewriters are unobtainable and would have to go out and purchase them in the commercial market.

Mr. WIGGLESWORTH. Won't that authority apply, in any event, if they are not purchaseable?

Mr. CAWLEY. You mean if they are not obtainable from surplus property?

Mr. WIGGLESWORTH. Yes; if they are not obtainable from surplus property, cannot any agency of the Government obtain them elsewhere?

Mr. CAWLEY. No, sir; not as I understand the provisions of the Treasury-Post Office Appropriation Act for 1949. I checked that provision a few days ago.

The CHAIRMAN. Has that gone through conference?

Mr. CAWLEY. I have not seen the conference draft, but I have checked one print of the bill, and the provision is still there.

PURCHASE OF AUTOMOBILES

The other thing I would like to call to the attention of the committee is that we would like authority to waive certain provisions of Public Law 600 and procure four automobiles.

The CHAIRMAN. Public Law 600 of this year?

Mr. CAWLEY. Of last session, I believe, pertaining to certain administrative restrictions; for example, the procurement of automobiles; and it also deals with the employment of consultants, and so forth. We would like to have authority there to exceed the limitation on automobiles and procure four limousines. This language gives us authority for one. It was originally thought we would buy one limousine for the roving ambassador overseas and try to obtain the rest of our cars within the limitation of $1,400 set down in Public Law 600, but we since have felt we ought to have authority for three or four cars at a higher cost.

The CHAIRMAN. I understand the Treasury-Post Office bill has not been reported to the Senate.

Mr. CAWLEY. I checked, and it was in one print of the bill.

The CHAIRMAN. It was in the House print, but it is not law yet.

Mr. CAWLEY. If that provision should remain, we would have to have the waiver.

Mr. WIGGLESWORTH. For what do you want these three or four limousines?

Mr. CAWLEY. We require one for the Administrator here in Washington, because he does have virtually the status of a Cabinet official, and other Cabinet officials are entitled to limousines; the second one would be for the roving ambassador overseas; and the other two would be for their deputies. It is difficult to get a limousine even for $3,000 now. I recall in the Department of Commerce, with a similar limitation of $3,000, we purchased a Chrysler.

The CHAIRMAN. Is not that good enough?

Mr. CAWLEY. Yes, sir; I think it is a good car, but it was in excess of $1,400.

The CHAIRMAN. You know, I do not get beyond a Plymouth. I never can ride in anything better than that unless I am riding with some official, because ordinary folks do not have them.

Mr. CAWLEY. I do not do that well, sir.

The CHAIRMAN. And it does not hurt me. I do not believe it hurts anybody. It may be that going across the water and "putting on the dog" makes an impression on the folks over there. I do not know. But on the folks around here, they can ride just as comfortably in an ordinary car as they can in a limousine and get along all right. They do not need a limousine to make an impression on the folks in America.

Mr. CAWLEY. Except that it is one of the prerequisities of a Cabinet official, and we felt Mr. Hoffman should be entitled to one.

It is difficult to get any kind of a car for $1,400.

The CHAIRMAN. I would not think he would ride in anything but a Studebaker. You want one for the ambassador——

Mr. CAWLEY. And one for the Administrator here in Washington and one for each of their deputies.

Mr. WIGGLESWORTH. Has the deputy for Mr. Harriman been appointed yet?

Mr. CAWLEY. I understand Mr. Foster is being considered for that position. I do not know whether he has been appointed as yet, but the newspapers have indicated as much. And, of course, Mr. Bruce has been appointed as Mr. Hoffman's deputy here in Washington, and that has been confirmed by the Senate.

PURCHASE, MAINTENANCE, AND OPERATION OF AIRCRAFT

I would like to call the committee's attention to one or two other items. We have a provision in here for the purchase, maintenance, and operation of aircraft. We do not believe we will purchase aircraft, but we would like the committee to recognize that this also gives us authority to hire them if it becomes necessary in the conduct of the business. We believe that certainly the roving ambassador overseas would have use for an airplane, which we can hire from the War Department at a cost of around $65 an hour.

Mr. WIGGLESWORTH. You do not want the word "purchase" in there, anyway, do you?

Mr. CAWLEY. We would like to have it. I do not think we will use it, but we should have that authority if we find it would be cheaper to purchase a plane than to hire one.

EXCLUSION OF TRIESTE FROM ESTIMATES UNDER CONSIDERATION

There are two other things I would like to call to the committee's attention. This appropriation language excepts subsection 103(b) of the Economic Cooperation Act of 1948 which deals with Trieste. There will be another budget up here later on Trieste, I understand.

The CHAIRMAN. It excepts Trieste?

Mr. CAWLEY. Yes, sir. I thought that should be called to the attention of the committee, because another estimate may be forthcoming and there may be some confusion as to whether or not this original amount covered that item.

The CHAIRMAN. Which section is that?

Mr. CAWLEY. Section 103 (b) of the Economic Cooperation Act. I think that is in title I.

Mr. WIGGLESWORTH. When you say it "excepts," you mean——

Mr. CAWLEY. There are no funds contained in this appropriation act for the purposes of that section.

Mr. WIGGLESWORTH. For aid to Trieste?

Mr. CAWLEY. None provided.

The CHAIRMAN. But do you or do you not mean the administrative set-up contemplated here would not be ample to cover the Trieste picture?

Mr. CAWLEY. So far as I know, the administrative set-up would be, but there is no appropriation for aid.

Mr. WIGGLESWORTH. You mean the actual aid is coming elsewhere?

Mr. CAWLEY. Yes, sir, in a separate appropriation item.

The CHAIRMAN. Why would that be a separate set-up?

Mr. CAWLEY. Well, it is under the Foreign Aid Act.

The CHAIRMAN. I know, but this is the Foreign Aid Act, is it not?

Mr. CAWLEY. This is the European Cooperation Act.

The CHAIRMAN. Well, is not Trieste in there, too?

Mr. SURREY. Under subsection 103 (b), not until Trieste becomes a participating country.

The CHAIRMAN. Has it already become a participating country?

Mr. SURREY. No, sir. It was not invited to the Paris Conference and did not sign the CEEC report, and until it becomes a member of the European group it is not a participating country as that is defined in subsection 103 (a).

The CHAIRMAN. Is there anything else?

Mr. CAWLEY. That is all, sir.

ATTENDANCE AT MEETINGS AND ENTERTAINMENT

Mr. WIGGLESWORTH. Is there any separate justification of the amount that is to be used for attendance at meetings and entertainment, both of which are covered in the language here?

Mr. CAWLEY. Yes. Those items were included in the schedule which the chairman asked be included in the record yesterday.

Mr. WIGGLESWORTH. With the figures for each?

Mr. CAWLEY. Yes, sir; they are in there.

TRANSPORTATION OF PRIVATELY OWNED AUTOMOBILES

The CHAIRMAN. Then you have "Transportation of privately owned automobiles." What are you going to do there?

Mr. CAWLEY. Well, we require that authority if it is necessary for our employees to use their own cars and that is the only way to equip them with that type of transportation.

The CHAIRMAN. Does that mean to take their cars over to Europe?

Mr. CAWLEY. Yes, sir. The administrator feels his various staffs in those countries have to get out and do a job, and they will have to have some means of transportation abroad. The administration of ECA will attempt to procure a limited number of cars for the overseas operations, but if that is impossible, we will have to have authority to transport privately owned cars.

Mr. SURREY. That is also provided for the Foreign Service, and this is to make it comparable to that law.

AUTHORITY FOR EXCHANGE FOR LOCAL CURRENCIES

Mr. WIGGLESWORTH. What is meant by the language "exchange of funds without regard to section 3651 of the Revised Statutes; and loss by exchange?"

Mr. CAWLEY. Revised Statute 3651 prohibits the acquisition of foreign currency, and since, in the operation of the local missions, we need foreign currency, we have to get an express waiver of that prohibition. You recall that yesterday I called the attention of the committee to the fact we can save $1,500,000 on our overseas administrative expenses by the use of local currencies.

Mr. WIGGLESWORTH. Because of the loss by exchange?

Mr. SURREY. Under section 3651 of the Revised Statutes, a disbursing officer is not allowed to acquire anything but gold, silver, or United States currency and is personally responsible for any loss that may result from transactions involving the rate of exchange where he does not get the exact par for the dollar. This would protect the disbursing officer when he acquires local currency at the foreign rate of exchange.

The CHAIRMAN. I supposed you would get your local currency over there by the funds coming out of these items that will be delivered to them rather than out of buying it.

Mr. CAWLEY. That is the way we will get our local currency, as I understand it—from those deposits they make.

The CHAIRMAN. Then why do you need this language?

Mr. NITZE. In certain countries they will be on a loan basis entirely, and there will be no local currency deposit.

Mr. CAWLEY. But where it is on a grant basis, we will have a foreign-currency deposit to our credit.

Mr. SURREY. It may be that even in countries where there are local currency deposits, the disbursing officer will want to exchange dollars for local currency and perhaps in some cases be reimbursed from the local currency-deposit fund.

The CHAIRMAN. How much will it run?

Mr. CAWLEY. Our estimate is we can save $1,500,000 in our administrative expenses. As to the total amount of foreign currency put to our credit, I do not know.

The CHAIRMAN. I mean how much will you use in connection with this particular language you are talking about?

Mr. CAWLEY. On administrative expenses it is estimated we will use foreign currency at a value of $1,500,000 overseas.

The CHAIRMAN. But a good deal of that will come out of the local currency that will be acquired out of this stuff?

Mr. CAWLEY. That is correct.

The CHAIRMAN. What is your objective, in dollars, under the language you have just been talking about?

Mr. CAWLEY. This language, as I understand it, covers the $4,245,000,000 appropriation.

The CHAIRMAN. But what is your objective; what do you anticipate using out of it for that particular purpose?

Mr. CAWLEY. The total administrative budget is $15,000,000; the overseas budget is approximately $9,000,000.

The CHAIRMAN. You have just been talking about this language "exchange of funds without regard to section 3651 of the Revised Statutes, and loss by exchange." How much, in dollars, is involved in that language in what you contemplate doing? That is what I-am trying to find out.

Mr. CAWLEY. I do not know, sir, except for the $1,500,000.

The CHAIRMAN. Well, I would like to find out, and if you cannot tell us now, find out and let us know later.

Mr. CAWLEY. All right, sir.

(The matter requested is as follows:)

It is not anticipated that dollars will be exchanged for foreign currency except in the payment of administrative expenses. The language is requested for protection of disbursing officers who must make exchanges of dollars in the payment of local expenses, and, since all profits from exchange must be desposited into miscellaneous receipts of the Treasury, the officers must be protected against losses.

The total Economic Cooperation Administration funds to be exchanged is expected to be less than $1,500,000. The anticipated loss should not exceed $1,000 based on experience of the State Department, which anticipates losses of approximately $6,000 out of exchange in excess of $15,000,000.

The CHAIRMAN. Are there any questions?

Mr. CASE. Mr. Cawley, the language suggested proposes that not to exceed $200,000 shall be available for expenditures of a confidential character under the direction of the Administrator or the Deputy Administrator. This language, if it is to appear in the bill, should be explained, it seems to me, to the committee and possibly off the record.

(After discussion off the record.)

Mr. CASE. Did you estimate any amount as necessary under the heading of "entertainment"?

Mr. CAWLEY. Yes, sir. I have that in that schedule.

ATTENDANCE AT MEETINGS

Incidentally, Mr. Wigglesworth, I do not believe there was an item in there for attendance at meetings, but I believe every other item in this budget is included in that schedule.

Mr. WIGGLESWORTH. What is that amount?

Mr. CAWLEY. I do not know what attendance at meetings would require. We made no special provision in funds for it.

Mr. WIGGLESWORTH. That is general language, but I would not think it would have any application to this set-up.

Mr. CAWLEY. It may be necessary for persons in this country to attend meetings in connection with official business of the adminis-

tration, and a provision of that kind is required to permit our employees to do it and pay their expenses.

Mr. WIGGLESWORTH. We are apt to put a limitation in there, because some agencies have run pretty wild on that in the past.

Mr. CAWLEY. I am aware of that practice.

The CHAIRMAN. Frankly, I do not see how we can present this bill without having limitations as to personal services and everything else of that character. I do not see how we can do it the other way.

Mr. CAWLEY. I will certainly provide you with a figure which you may consider as a limitation for attendance at meetings, if you like.

(The information referred to follows:)

The amount estimated for attendance at meetings is $160,000.

With respect to certain of these other items, this agency is just too new, we felt, to make any commitment with respect to what we felt we could operate within and guarantee we could hold to it in the year. However, we certainly will keep this committee informed of all of our operations.

The CHAIRMAN. We have never any bill of that sort without that kind of a provision.

Mr. CAWLEY. You will find estimates for the most of these items contained in that exhibit which I presented yesterday. For those that are missing, if the committee desires, I will provide the executive secretary with certain items which you may consider by way of possible limitation.

The CHAIRMAN. Is there anything further?

BUDGET BREAKDOWN OF EXPENSES, ECA

Mr. CAWLEY. One last thing. You have requested some green sheet detail. May that follow in the record right at this point, so that we will have that complete in one place?

The CHAIRMAN. Yes. I would prefer to have it that way.

(The matter referred to is as follows:)

Expenses, Economic Cooperation Administration, Executive Office of the President
Apr. 4, 1948–Apr. 3, 1949

	Number	Total salary
FUNDS AVAILABLE FOR OBLIGATION		
Appropriation or estimate		$4,245,000,000
Sale of notes pursuant to section 111 (b)-2		+1,000,000,000
Transferred from Department of State (Public Law 470)		+55,000,000
Total available for obligation		5,300,000,000
Transferred to other Government agencies for administrative expenses		−4,000,000
Total obligations		5,296,000,000
OBLIGATIONS BY ACTIVITIES		
1. Administration		11,000,000
2. Food and agricultural commodities		2,273,900,000
3. Fuel products		625,000,000
4. Industrial raw materials		810,100,000
5. Machinery and equipment		801,800,000
6. Miscellaneous commodities		239,600,000
7. Ocean shipping costs		22,000,000
8. Price adjustment		289,600,000
9. Shipments from sources other than Western Hemisphere		160,000,000
10. Ocean freight for private relief shipments		42,000,000
11. Guaranties on investments—informational media		15,000,000
12. Technical assistance		6,000,000
Total obligations		5,296,000,000

Expenses, Economic Cooperation Administration, Executive Office of the President, Apr. 4, 1948–Apr. 3, 1949—Continued

	Number	Total salary
OBLIGATIONS BY OBJECTS		
01 Personal services		$6,304,162
02 Travel		970,760
03 Transportation of things		1,083,782
Ocean shipping (relief packages price adjustments, etc.)		65,448,000
04 Communication services		278,950
05 Rents and utilities		342,600
06 Printing and binding		222,000
07 Other contractual services		499,600
Reimbursements to other agencies for technical assistance		5,620,000
08 Supplies and materials		384,000
Commodities		4,376,284,800
09 Equipment		1,294,146
For assistance to participating countries		822,267,200
11 Grants, subsidies, and contributions		15,000,000
Total obligations		5,296,000,000
DETAIL OF PERSONAL SERVICES		
Departmental:		
Clerical administrative, fiscal service:		
Grade 16. $10,000 and over:		
Administrator	1	20,000
Deputy administrator	1	17,500
Special assistant to the administrator	3	42,500
Comptroller	1	15,000
Adviser on fiscal and monetary policy	1	15,000
Labor adviser	1	15,000
Assistant deputy administrator	1	15,000
Director of food and agriculture	1	15,000
Director of industry	1	15,000
Special assistant to deputy administrator	1	12,500
Deputy to the assistant deputy administrator	1	12,500
Director of trade	1	12,500
Deputy to adviser on fiscal and monetary policy	1	12,500
Director of procurement operations	1	12,500
Director of China program	1	12,500
Director of statistics and reports	1	12,500
Director of administration	1	12,500
Deputy comptroller	1	12,500
Directors for special programs and operations	6	75,000
Grade 15. Range $9,975 to $10,000:		
Assistant to administrator	3	30,000
Deputy directors of divisions	8	80,000
Director of personnel	1	10,000
Directors of divisions	7	70,000
Chief of branch	17	170,000
Executive secretary	1	10,000
Head of accounting sections	5	50,000
Budget and organization examiner	5	50,000
Grade 14. Range $8,179 to $9,376:		
Assistant division director	2	16,358
Auditor	1	8,179
Administrative analyst	2	16,358
Chief of employment	1	8,179
Coordinator	1	8,179
Accountant	2	16,358
Investigator	1	8,179
Business specialist	3	24,537
Branch chief	3	24,537
Procurement specialist	7	57,253
Special assistant	1	8,179
Assistant branch chief	2	16,538
Budget and organization examiner	2	16,538
Grade 13. Range $7,102 to $8,059:		
Committee secretary	1	7,102
Accountant	1	7,102
Information specialist	2	14,204
Expediter	1	7,102
Examiner	4	28,408
Administrative analyst	2	14,204
Financial analyst	1	7,102
Procedural analyst	1	7,102
Assistant division director	4	28,408
Procurement specialist	5	35,510
Budget examiner	2	14,204
Grade 12. Range $5,905 to $6,862:		
Information specialist	1	5,905
Administrative officer	3	17,715
Procurement specialist	4	23,620
Commodity specialist	4	23,620
Examiner	3	17,715

Expenses, Economic Cooperation Administration, Executive Office of the President, Apr. 4, 1948–Apr. 3, 1949—Continued

	Number	Total salary
DETAIL OF PERSONAL SERVICES—continued		
Departmental—Continued		
Clerical, administrative, fiscal service—Continued		
Grade 11. Range $4,902 to $5,905:		
Administrative analyst	2	$9,804
Examiner	2	9,804
Commodity specialist	1	4,902
Accountant	1	4,902
Administrative officer	2	9,804
Section chief	3	14,706
Grade 9. Range $4,149 to $4,902:		
Procurement specialist	2	8,298
Administrative analyst	1	4,149
Examiner	2	8,298
Accountant	1	4,149
Information specialist	1	4,149
Administrative officer	1	4,149
Commodity specialist	4	16,596
Grade 7. Range $3,397 to $4,149	20	67,940
Grade 5. Range $2,644 to $3,397	80	216,512
Grade 4. Range $2,394 to $2,845	86	228,564
Grade 3. Range $2,168 to $2,619	25	60,040
Grade 2. Range $1,954 to $2,394	10	21,494
Professional service:		
Grade 9. $10,000 and over: General counsel	1	15,000
Grade 8. Range $9,975 to $10,000:		
Assistant general counsel	2	20,000
Economic adviser	10	100,000
Statistician	3	30,000
Division director	5	50,000
Financial adviser	2	20,000
Commodity specialist	10	100,000
Grade 7. Range $8,179 to $9,376:		
Attorney	2	16,358
Statistician	1	8,179
Assistant division director	2	16,538
Economist	6	49,074
Country specialist	2	16,358
Grade 6. Range $7,102 to $8,059:		
Statistician	3	21,306
Attorney	2	14,204
Economist	2	14,204
Country specialist	4	28,408
Grade 5. Range $5,905 to $6,862:		
Attorney	1	5,905
Statistician	2	11,810
Country specialist	1	5,905
Economist	1	5,905
Grade 4. Range $4,902 to $5,905:		
Attorney	1	4,902
Statistician	2	9,804
Grade 3. Range $4,149 to $4,902:		
Attorney	2	8,298
Statistician	4	16,596
Country specialist	4	16,596
Economist	3	12,447
Crafts, protective, custodial service:		
Grade 4. Range $2,020 to $2,469	6	12,120
Grade 3. Range $1,822 to $2,168	14	25,508
Grade 2. Range $1,690 to $2,020	18	30,420
Total permanent, departmental	500	2,700,000
Deduct lapses	83	450,000
Net permanent, departmental (average number, net salary)	417	2,250,000
Part-time employment, departmental		400,000
All personal services, departmental		2,650,000
Field:		
Mission chief:		
Class 1. $25,000: United States representatives in Europe	1	25,000
Foreign service reserve officers:		
Class 1. Range $12,900 to $13,500		
Deputy United States representative	1	13,500
Chief, ECA mission	12	154,400
Legal adviser	7	89,600
General economic advisers	4	51,200
Industry and commodity advisers	33	413,200
Manpower adviser	1	12,800
Financial adviser	10	128,000

Expenses, Economic Cooperation Administration, Executive Office of the President, Apr. 4, 1948–Apr. 3, 1949—Continued

	Number	Total salary
DETAIL OF PERSONAL SERVICES—continued		
Field—Continued		
Foreign service reserve officers—Continued		
Class 2. Range $10,000 to $11,900:		
Chief, ECA mission	2	$22,100
Financial adviser	23	254,150
Industry and commodity advisers	31	342,550
General economic advisers	15	165,750
Legal adviser	2	22,100
Information officer	1	11,050
Class 3. Range $8,000 to $9,900:		
Information officer	2	17,800
Chief, ECA mission	5	44,500
Manpower adviser	5	44,500
Statistical officer	11	92,820
Financial adviser	6	53,400
General economic adviser	12	106,800
Industry and commodity adviser	40	356,000
Comptroller	1	8,900
Class 4. Range $6,000 to $7,900:		
General economic adviser	16	96,000
Financial adviser	5	30,000
Statistical officer	19	131,100
Industry and commodity adviser	20	120,000
Class 5. Range $4,500 to $5,900:		
Industry and commodity adviser	7	31,500
General economic adviser	5	22,500
Class 6. Range $3,300 to $4,400:		
Industry and commodity adviser	10	33,000
Statistical officer	12	39,600
General economic adviser	5	16,500
Foreign service staff:		
Class 1. Range $8,820 to $10,000:		
Administrative officer	5	44,100
Class 2. Range $8,100 to $9,120:		
Administrative officer	13	105,300
Class 3. Range $7,380 to $8,340:		
Administrative officer	1	7,380
Personnel officer	5	36,900
Security officer	4	29,520
General service officer	5	36,900
Class 4. Range $6,660 to $7,620:		
Security officer	8	53,280
Assistant administrative officer	6	39,960
General service officer	3	19,980
Personnel officer	3	19,980
Class 11. Range $3,240 to $3,960	70	226,800
Class 12. Range $2,880 to $3,600	77	222,060
Class 13. Range $2,520 to $3,240	76	191,520
Class 14. Range $2,160 to $2,880	100	216,000
Total American personnel	700	4,200,000
Alien personnel	300	390,000
Total permanent, field	1,000	4,590,000
Deduct lapses	166	765,000
Net permanent, field (average number, net salary)	834	3,825,000
Living and quarters allowances		1,638,000
All personal services, field		5,463,000
Deduct:		
Use of local currency		973,650
Use of State Department facilities		835,188
Net personal services, field		3,654,162
01 Personal services		6,304,162

Administrative expense estimates for other Federal Agencies under the Economic Cooperation Administration

[These estimates cover only activities in the United States. Services in foreign areas are included under ECA overseas budget.]

Department or agency (1)	Chief services which would be furnished to the ECA (2)	Request by department or agency (3)	Amount allowed (4)
Justice	FBI investigation of prospective personnel for loyalty and security as required by the act (sec. 110c).	$356,927	$356,900
Treasury	Staff services on balance of payments and other financial problems for the National Advisory Council. Under the Act, the NAC is to advise the Administrator as to the division of aid between loans and grants and the terms on loans (sec. 111c (1) and (2)).	372,300	372,300
Export-Import Bank	Services in the making and administering of loans as required by the act (sec. 111c (2)).	315,200	315,200
State Department	To provide economic and political information and translating, communication, legal, and administrative services under the act.	1,079,005	666,000
Commerce	To furnish data on ERP exports from the United States, on supplies of United States manufactured goods in the ERP program, and on United States foreign transactions.	448,332	413,000
Agriculture	To screen and analyze requirements for farm products and machinery, to make allocations, and to advise on agricultural conditions abroad.	4,395,000	1,000,000
Labor	To make studies of labor conditions and productivity in ERP countries and to furnish statistical and technical assistance in the fields.	1,267,000	250,000
Army	Administrative and procurement services in the United States for occupied areas portion of ERP.	1,657,500	60,000
Federal Trade Commission.	Aid in planning for the reduction of barriers to intra-European trade. (Under sec. 115b (2) of the act bilateral agreements are to include provisions for cooperation to reduce these barriers.)	541,462	----------
Interior	To advise on kinds and quantities of mineral resources and production equipment available from United States and on their distribution to ERP countries, as well as to furnish aid in power, irrigation, and other fields of Interior's activities.	3,327,500	476,600
Federal Power Commission.	To advise on European power needs and review programs for construction of power facilities.	110,000	90,000
	Total	13,870,226	4,000,000

Vehicles

The Chairman. I think we are pretty well through with the machinery picture. If there are no further questions on that, we will move on to the next number, and that will be "Vehicles", No. 46, n. e. s.

Do you have any documents for us on vehicles?

Mr. Bramble. Yes, sir. I might say passenger automobiles constitute a fairly large percentage of these vehicles "not elsewhere specified" from the United States.

(The following table was submitted for the record:)

United States exports of vehicles to participating countries, estimated 1937, 1947, and 1948–49

	Vehicles n. e. s.[1]			Passenger automobiles	
	1948–49	1947	1937 [2]	1947	1937 [2]
Austria	0.2	0.1	0.5	0.1	0.4
Belgium-Luxemburg	41.6	46.2	32.5	35.7	32.2
Denmark	6.0	7.2	10.4	4.1	10.3
France	2.0	26.3	11.5	10.6	10.1
Greece	2.0	6.6	.9	6.2	.8
Iceland	1.3	3.4	----------	3.3	----------
Ireland	3.0	9.3	2.8	3.0	2.4
Italy	.6	1.7	1.8	1.0	.5
Netherlands	41.7	40.9	14.6	15.1	8.7
Norway	6.0	6.3	5.2	4.0	4.9
Portugal	6.0	14.8	2.6	13.4	2.4
Sweden	15.0	37.5	21.6	30.2	20.8
Switzerland	23.0	16.5	3.5	12.8	3.3
Turkey	5.0	13.2	6.7	11.7	1.7
United Kingdom	8.0	7.8	28.3	3.2	28.3
Germany:					
Bizone	----------	.2	----------	.1	(4)
French	----------	(3)	----------	(4)	(4)
Saar	----------	(3)	----------	(4)	(4)
Belgium dependent overseas territories	5.0	10.9	.9	6.6	.9
French dependent overseas territories	15.0	14.6	2.2	12.4	1.7
Netherlands dependent overseas territories	2.0	17.5	7.0	13.9	5.6
Portugal dependent overseas territories	3.0	6.9	.9	5.0	.9
United Kingdom dependent overseas territories	15.0	24.9	9.0	18.8	6.8

[1] Includes passenger automobiles, parts for assembly, repair parts, locomotives, commercial aircraft, motorcycles, bicycles, street railway cars, and other vehicles except trucks, tractors, and freight cars. (Does not include ships.)
[2] Estimated 1937 exports at 1947 prices.
[3] Negligible.
[4] Not available.

The CHAIRMAN. Where are the passenger automobiles shown in the table you are giving us?

Mr. BRAMBLE. The passenger automobiles are in the two columns on the right.

The CHAIRMAN. What does "Vehicles n. e. s." mean? Are there any trucks?

Mr. BRAMBLE. There are no trucks in that. It includes passenger automobiles, vehicle parts for assembly, including repair parts, locomotives, commercial aircraft, motorcycles, bicycles, street railway cars, and any other wagons or extra vehicles, but it excludes trucks, tractors, and freight cars and does not include ships, which the Department of Commerce statistics do.

The CHAIRMAN. I thought we had testimony before on locomotives.

Mr. BRAMBLE. I do not believe so.

Mr. NITZE. We did on special types of locomotives for steel plants.

Mr. BRAMBLE. Which is in steel equipment.

Mr. CAWLEY. Also, there were some special types of locomotives in timber equipment, I believe.

Mr. BRAMBLE. That could easily be.

Mr. CAWLEY. For narrow-gage track.

Mr. NITZE. I did not recollect that the narrow-gage equipment had any locomotives.

The CHAIRMAN. What is the unit here?

Mr. BRAMBLE. The unit here is in millions of dollars. They are reported that way in the statistics; so it is difficult to find any numbers of units for these heterogeneous items. One reason for classifying them this way is that it is the classification in the Department of Commerce statistics which lumps vehicles together, and we simply cannot break them out without a great deal of clerical research.

The CHAIRMAN. There is nothing here on this passenger automobile business?

Mr. BRAMBLE. No, sir; there is nothing on passenger automobiles. You can see from the columns marked "1947" and "1937" what the exports from the United States were in 1947 prices. This 1937 volume of exports has been raised to the 1947 prices.

AUTOMOBILES

The CHAIRMAN. We will take up automobiles first. Do you know to what that total runs?

Mr. BRAMBLE. No, sir; but I will insert that.

(The information may be found on p. 813.)

The CHAIRMAN. That runs to a good deal larger figure than the prewar figure in every instance of any size, with the exception of the United Kingdom and Denmark.

Mr. BRAMBLE. You mean the 1947 figures are larger than the 1937 figures?

The CHAIRMAN. Yes.

Mr. BRAMBLE. That is right.

The CHAIRMAN. And the 1948–49 figures——

Mr. BRAMBLE. Are not automobiles alone.

The CHAIRMAN. They include something else?

Mr. BRAMBLE. Yes, sir.

The CHAIRMAN. But they run quite considerably above the 1947 figure.

Mr. BRAMBLE. No; considerably less than the 1947 figure.

The CHAIRMAN. I would not think so from looking this over.

Mr. BRAMBLE. There are only two that are larger that I can see.

The CHAIRMAN. Well, there is Belgium-Luxemburg, and there is Denmark.

Mr. BRAMBLE. Belgium-Luxemburg is less than 1947. It is 41.6 million for 1948–49 compared with 46.2 million for 1947.

The CHAIRMAN. That is in the over-all figure?

Mr. BRAMBLE. Yes.

The CHAIRMAN. The Netherlands is larger.

Mr. BRAMBLE. The Netherlands is a little bit larger; that is right.

I have some figures here on passenger automobile registrations in these countries, if you would like to see those. We have the 1939 registrations and the 1947 registrations, and in all cases except that of Denmark I think you will find the 1947 figure runs considerably below the prewar registration, and you would expect that, since they have had no replacements for a number of years.

(The matter above referred to is as follows:)

Passenger-automobile registrations in participating countries, 1939 and 1947

	1939	1947		1939	1947
Austria	32,373	16,596	Germany:		
Belgium-Luxemburg	144,093	88,300	Bizone	NA	106,691
Denmark	96,500	101,000	French zone	NA	----------
France	1,800,000	973,105	Saar	NA	----------
Greece	6,700	3,500	Belgium dependent overseas territories	3,505	5,012
Iceland	876	7,164	French dependent overseas territories	113,816	94,037
Ireland	56,000	50,546	Netherlands dependent overseas territories	56,800	9,542
Italy	308,000	100,000	Portugal dependent overseas territories	7,770	6,255
Netherlands	93,545	57,956	United Kingdom dependent overseas territories	120,781	86,460
Norway	61,126	54,135			
Portugal	35,800	31,598			
Sweden	157,809	139,192			
Switzerland	71,537	78,000			
Turkey	4,611	4,600			
United Kingdom	1,834,248	1,817,900			

The CHAIRMAN. For the United Kingdom, it does not—perhaps a hair below, but that is all.

Mr. BRAMBLE. That is right.

The CHAIRMAN. And Switzerland does not.

Mr. BRAMBLE. You are right there again. Switzerland, of course, we are not supplying anything for, and I had not considered them. If you will notice the countries where the items of vehicles, n. e. s., is large, you will find the difference in registrations in 1939 and 1947 is considerable. For instance, Belgium-Luxemburg had 114,000 passenger vehicles in 1939 and only 88,000 in 1947. Netherlands had 93,000 vehicles in 1939 and 58,000 in 1947.

The CHAIRMAN. How much of this is automobiles?

Mr. BRAMBLE. I do not know exactly how many automobiles.

The CHAIRMAN. You mean it has not been figured?

Mr. BRAMBLE. We expect the proportion of automobiles in 1948–49 will be somewhat like that in 1947, but they might not be available. You know how difficult it is to get delivery on automobiles.

The CHAIRMAN. Well, if we have a strike or two, you won't get any.

Mr. BRAMBLE. That is right.

The CHAIRMAN. We will just have more inflation; that is all.

Mr. BRAMBLE. Of course, the use of automobiles in Europe is somewhat different from what it is in the United States. Since they control the dollar exchange that can be used for the purchase of things like this, there, is in effect, a rationing system of automobiles. For that reason and because of the fact the number of automobiles per capita is so very much less in Europe than here, they are mostly used for the more essential requirements than they are here.

I might also say that perhaps 50 percent of these figures represent replacement parts to keep the present cars on the road rather than to add to the number of cars that are involved.

The CHAIRMAN. Now, you have in here an over-all figure of $251,000,000 from the Western Hemisphere. That all comes out of the United States, does it not?

Mr. BRAMBLE. Yes, sir; practically all.

The CHAIRMAN. There is no other place from which it could come?

Mr. BRAMBLE. There is a small amount from Canada.

The CHAIRMAN. A little bit of it. About one-fifth or 20 percent of it is supposed to be regular trade, and $70,000,000, or about a little over 25 percent, is supposed to be loans and credits. That means from us?

Mr. BRAMBLE. I am sorry. I do not have those figures before me.

The CHAIRMAN. Can you tell me about that?

Mr. NITZE. I am afraid I cannot give you the details as to what loans that would be against.

The CHAIRMAN. It would come out of the United States.

Mr. NITZE. No, it would not come out of the United States; it would come either out of the Export-Import Bank credits already on the books——

Mr. BRAMBLE. You are talking about the 70.8 figure?

Mr. NITZE. Yes.

Mr. BRAMBLE. Yes. A large part of that, not all, is to come from the automobile manufacturers themselves, who have assembly plants in foreign countries and who send the majority of their supplies on credit, in order to maintain their markets in those areas, and they are able to get dollars out as dividends or profits made by the corporation.

The CHAIRMAN. The ECA obligations are set up as $88,600,000.

Mr. BRAMBLE. Yes. I understand it is thought that a larger part of that—although I do not know what proportion, and perhaps someone can enlighten me—of that ECA obligation would be of the loan type of obligation, because of the nature of the commodity that was being sent. For instance it was thought that possibly—although this is a determination for the Administrator to make—that the vehicles that are sent to Great Britain, most of which are replacement parts, might be on a loan basis rather than a grant basis.

The CHAIRMAN. You do not know how many automobiles are involved in this picture?

Mr. BRAMBLE. Not exactly.

The CHAIRMAN. What would be your best guess?

Mr. BRAMBLE. Our exports of automobiles in 1947 to these countries ran at a rate of about 3 percent of our production, and the total exports ran about 8 percent of our production.

The CHAIRMAN. The automobiles would probably run about 3 percent of our production?

Mr. BRAMBLE. It would be somewhat less; we expect the production to be greater, and the exports would be somewhat less.

LOCOMOTIVES

The CHAIRMAN. How many locomotives do you anticipate will be exported?

Mr. BRAMBLE. I do not know about that. Some of these figures were worked up by the country specialists, and I am not a specialist on these various types of machinery, and I could not give you the exact figures.

The CHAIRMAN. Does any one here know about that?

Mr. BRAMBLE. Locomotives are built to order.

The CHAIRMAN. I know that.

Mr. BRAMBLE. And I do not know how many that would be.

The CHAIRMAN. Does any one know about it?

Mr. NITZE. We can supply you further information.

(The information is as follows:)

Export of locomotives from the United States to all participating areas

	Millions		Millions
1937	Negligible	1947	$35.9
1939	Negligible	1948–49 (estimated)	10.0
1946	$112.4		

COMMERCIAL AIRCRAFT

The CHAIRMAN. Commercial aircraft: Why would they be buying that?

Mr. BRAMBLE. We received, in these various answers from these countries, in answer to requests that we made, statements of the requirements, for instance, on the part of the Netherlands and Belgium for aircraft; and a number of countries have requirement for aircraft parts. I understand, although I did not receive the requests from Sweden, I understand they are negotiating for the purchase of commercial aircraft in the United States.

MOTOR VEHICLES AND BICYCLES

The CHAIRMAN. Then you have down an item for motor vehicles and bicycles.

Mr. BRAMBLE. That is not a very large item of United States exports but that represents a considerable amount of intra-European trade; that is the reason why they were included here.

STREET RAILWAY CARS

The CHAIRMAN. The next is street railway cars.

Mr. BRAMBLE. That is mostly intra-European trade; they get very few of those here.

UNITED STATES IMPORTS OF AUTOMOBILES FROM THE UNITED KINGDOM; EXPORT OF AUTOMOBILES FROM PARTICIPATING COUNTRIES

Mr. CASE. Mr. Chairman, the other day I read an account of one of the manufacturers of the United Kingdom which is going to export to this country automobiles at the rate of 1,000 per month. Do you know whether or not any of these other recipient countries are on an export basis, as far as automobiles are concerned?

Mr. BRAMBLE. As a matter of fact, most of the countries who manufacture automobiles are on an export basis for automobiles, because they require that the automobiles be shipped out in order to get exchange, because it is easy to sell them for dollars in foreign areas. For instance, the French expect to have a fairly considerable production of automobiles next year, and for that reason they are going to export a great many of them.

The countries which produce automobiles in substantial number are the United Kingdom, Italy, France, and Germany before the war. Belgium makes a few. The others are on an assembly line basis; they get the parts from others and put them together.

Mr. CASE. Germany is getting into the production of automobiles for export.

Mr. BRAMBLE. Exporting some automobiles?

Mr. CASE. Yes; they were furnishing some to Switzerland last fall.

Mr. BRAMBLE. Is that right?

Mr. CASE. Yes; they were being made at Stuttgart.

Mr. BRAMBLE. We do not have any project in here for automobiles to Germany from the United States.

Mr. CASE. I do not object to them exporting them in accordance with the trade plan, but it looks a little peculiar for them to be exporting their own and expect us to give them automobiles.

Mr. BRAMBLE. No. In the first place, I do not expect us to give them. And in the second place——

METHODS OF FINANCING AUTOMOBILES FURNISHED PARTICIPATING COUNTRIES

Mr. CASE. Will you explain that; do you mean that the automobiles are to be supplied on a loan basis?

Mr. BRAMBLE. No; I do not know the proportion in which that would be done, but some of the automobiles certainly would be against the loan, some might be on grant, and others might be cash purchases.

Mr. CASE. Can you break that down as to how many will be on a loan basis, how many on a cash basis, and to what countries?

Mr. BRAMBLE. No, I cannot.

Mr. NITZE. For vehicles?

Mr. CASE. Particularly as to automobiles.

Mr. BRAMBLE. I do not know that anyone can.

Mr. NITZE. The whole question of loan versus grant is one that will have to be determined by the Administrator of the ECA, estimated in volume, between loans and grants.

Mr. CASE. We are dealing here with the vehicles. N. e. s. (not elsewhere specified).

Mr. BRAMBLE. That is right.

Mr. CASE. Do you have any record, figures of the automobiles, where vehicles are particularly specified in addition to this?

Mr. BRAMBLE. Trucks and freight cars.

Mr. CASE. Trucks and freight cars?

Mr. BRAMBLE. Yes.

Mr. CASE. But the automobiles would be on this list?

Mr. BRAMBLE. That is right. Now, may I continue with what I was explaining: Better than 50 percent of the automobiles in all of these foreign countries are of American type, and in order to keep them at all in running condition they have to have replacement parts. A great many of these figures represent replacement parts in the United Kingdom, Italy, France, and these other countries which produce automobiles, but which are still importing from the United States; mostly that is represented by replacement parts.

When I said better than 50 percent of the countries, I did not mean Italy, France, and the United Kingdom, but they would have a large amount of American type automobiles.

REGISTRATION OF AUTOMOBILES IN VARIOUS PARTICIPATING COUNTRIES

Mr. CASE. This table which supplies the passenger-automobile registration is in units of automobiles, not dollars?

Mr. BRAMBLE. That is correct.

Mr. CASE. Looking at the figures for Belgium-Luxemburg, registration for 1947, is indicated 88,300.

Mr. BRAMBLE. Yes.

Mr. CASE. The suggested export figures to Belgium-Luxemburg for 1948-49 is 41.6 million dollars.

Mr. BRAMBLE. Yes.

Mr. CASE. You do not mean by that that it will take 41.6 million dollars' worth of parts to keep those 88,000 automobiles going?

Mr. BRAMBLE. No; that does not represent all automobiles. That represents replacement parts, automobiles and aircraft and other vehicles.

Mr. CASE. I notice with reference to Iceland, registration of automobiles, the number jumped from 876 in 1939 to 7,164 in 1947.

Mr. BRAMBLE. I do not know for certain, but I suppose a large part of that was surplus property that was left by the Army.

Mr. CASE. In view of the fact that Iceland before the war was not very automobile minded, and now has a supply roughly eight or nine times what she had before the war, why would she need $1,300,000 worth of automobiles for 1948?

Mr. BRAMBLE. That is practically all parts, as I understand. If you have acquired any surplus property, especially in the form of jeeps or automobiles, you realize how much in the way of parts is necessary to get them to running.

Mr. CASE. Is that $1,300,000 worth of parts to service the 7,000 automobiles?

EXPORT OF AVIATION EQUIPMENT MATERIAL TO ICELAND

Mr. BRAMBLE. They also require some aviation equipment material to be imported there, because it is a stopping place for airplanes, some of the air lines.

These figures are not all ECA financed—these figures are total imports; they do not necessarily mean that is what they would get from us. For instance, it might be that the airplane parts that are sent in there would be paid for by American air lines or other air line companies, but they are in the statistics of the trade.

Mr. CASE. I was reading last night that the American air lines were being required by international agreement to raise their rates by $25 for overseas trips, not because they wanted nor because they needed to make money, but because the foreign lines operating in competitive transportation found it impossible to compete with the rates that were offered by our lines.

Mr. RADIUS. The international air lines, through international conference in the International Air Transportation Association of all the international air lines, who are members, through private arrangement set the rates for international operation, and in event either of the governments affected feel that these rates are unfair or unjust it is the basis of negotiation between the governments in the event of discrimination or in the event of its being a barrier to trade. But it is a matter that is worked out between the air lines represented in this private organization.

Mr. CASE. It appears that this is the second time that that kind of an arrangement, or something else, has been responsible for an increase in the overseas rates, which our lines, apparently are reluctant to comply with.

I recall a year or so ago one of the American companies was advertising in the paper the fact that it was announcing a reduction of overseas rates, but later had to withdraw the reduction because of the situation which has just been called to our attention.

It does seem difficult to justify this additional subsidy of parts and replacements for competing air lines that are already being sustained by these fictitious rates which have been alluded to.

Are you in position to say whether these aircraft replacements are to be financed by loans or grants?

Mr. BRAMBLE. No; I am not in position to say that.

Mr. CASE. Is anyone here able to give us that information?

Mr. NITZE. As I said, the Administrator has to make the final determination, but in our thinking we contemplated that aircraft parts would normally be paid for in cash or be on a loan basis.

Mr. CASE. That applies to France?

Mr. NITZE. That is correct: Loan or cash basis.

Mr. CASE. Are the operations to Sweden, Switzerland, Turkey, Ireland, Denmark, and Belgium all on a loan basis?

Mr. NITZE. Loan or cash basis with respect to aircraft or parts.

Mr. CASE. If there are any exceptions will you indicate that information for the record.

Mr. NITZE. Yes.

The CHAIRMAN. How much of this stuff did they actually ask for in response to your inquiry?

Mr. BRAMBLE. We did not have any special questionnaire on automobiles, but in their returns, referring to answers to the requests for information on other items, we have some from the replies of countries as to how much they needed.

The CHAIRMAN. I think that is all I have on that subject.

SHIPPING INFORMATION

Where is the shipping information shown?

Mr. NITZE. That is included in item 49, in dollars.

The CHAIRMAN. It is a part of item 49?

Mr. NITZE. Yes.

The CHAIRMAN. 48 (a) and 50 are to be taken up with the Treasury; is that right?

Mr. NITZE. 48 (a) would appropriately come up with the Army's discussion of western Germany, because that applies entirely to them.

The CHAIRMAN. The balance, in 49 and 50, would be Treasury?

Mr. NITZE. Mr. Kindleberger could testify this morning on 50.

STATEMENTS OF WILFRED MALENBAUM, CHIEF, DIVISION OF INTERNATIONAL AND FUNCTIONAL INTELLIGENCE; CHARLES P. KINDLEBERGER, SPECIAL ADVISOR TO OFFICE OF FINANCIAL AND DEVELOPMENT POLICY, DEPARTMENT OF STATE

Mr. NITZE. May I make an introductory comment on this item?

The CHAIRMAN. Yes.

ANALYSIS OF ESTIMATES

Mr. NITZE. The net dollar payments shown as $817,000,000, includes, of course——

The CHAIRMAN (interposing). There is $118,000,000 of that which represents net dollar payments for shipping; is that it?

Mr. NITZE. No; the net dollar payments of $817,000,000 was the net of a number of items which appear in the balance-of-payments book, on pages 4 and 5.

The CHAIRMAN. What pages?

Mr. NITZE. Pages 4 and 5 of the balance-of-payments book.

The CHAIRMAN. What items?

Mr. NITZE. As items 50, 51, 52, 53, and 54.

The CHAIRMAN. And the ocean freight, 1.3 billion dollars?

Mr. MALENBAUM. That represents all of the payments under the ocean freight account.

Mr. NITZE. The total of items 51, 52, 53, and 54 on this page 4 is $2,654,000,000; and the total of items of receipts on page 5, with the comparable headings. 51, 52, 53, and 54, $2,287,000,000.

The CHAIRMAN. The total of 51 to 54 is how much?

Mr. NITZE. $2,654,000,000.

The CHAIRMAN. In the first column?

Mr. NITZE. In the Western Hemisphere, column 3.

The CHAIRMAN. Column 3, for those four items?

Mr. NITZE. Those five items.

The CHAIRMAN. For ocean freight——

Mr. NITZE. Yes; those five items.

The CHAIRMAN. I thought you said 51.

Mr. NITZE. 50, 51——

The CHAIRMAN. The total is how much?

Mr. NITZE. $2,654,000,000.

The CHAIRMAN. The total of those is given as $1,899,500,000?

Mr. NITZE. You are referring to miscellaneous commodities.

The CHAIRMAN. Does not that cover the whole of those items?

Mr. NITZE. No; that is a different item.

The CHAIRMAN. Very well.

Mr. NITZE. Now in column 3, page 5, there are four items: Ocean freight; tourism; interest, profits, amortization, dividends; and other receipts. Those total $2,287,000,000. However, certain of the countries have an estimated favorable balance in the first item, the total being 450.1 million dollars, and if you deduct that from the 2.287 million dollars——

The CHAIRMAN. How much was that figure?

Mr. NITZE. 450.1 million dollars, and if that is deducted from the 2.287 million dollars it leaves $1,836,000,000. And the difference

between the 1,836.9 million dollars and the 2,654.2 million dollars, which is the total of these items, leaves the 817.3 million dollars which appears in column 1 on page D–5 in our justifications.

The CHAIRMAN. How much is that?

Mr. NITZE. 817.3 million dollars.

The CHAIRMAN. That figure appears in what place?

Mr. NITZE. D–5 of the justifications.

The CHAIRMAN. Item what?

Mr. NITZE. Item 49.

PAYMENT OF OCEAN FREIGHT

The CHAIRMAN. These items involve, on a 15 months' period, the payment of ocean freight. Is this a receipt or a disbursement? It is a little difficult to follow just what this means.

Mr. MALENBAUM. The page 4 entries are payments, and on page 5 are given the receipts.

The CHAIRMAN. That is what these countries are supposed to pay out?

Mr. NITZE. That is their total expense, in dollars, on account of freight.

Mr. MALENBAUM. With Western Hemisphere countries, for 15 months.

The CHAIRMAN. You mean that is what they pay out?

Mr. NITZE. That is correct.

The CHAIRMAN. Regardless of whether it is included in the ECA payments or not.

Mr. MALENBAUM. That is correct.

The CHAIRMAN. There is nothing in here that shows anything about what the ECA figure is, or anything of that kind; it is simply a statement showing the balance of these participating countries.

Mr. NITZE. That is correct.

The CHAIRMAN. Frankly I have not had an opportunity to look over this picture enough to know whether this table ought to be in the record or not, and you might tell us what you know about it.

Does this table that appears on page 4 of the balance-of-payments book, represent figures that have been gathered together by you and your staff, or do these figures represent amounts that were sent over here by other countries?

Mr. MALENBAUM. They represent figures that were gathered together here on the basis of the information that was given us, in large part, from abroad. We needed to have considerable detail for each of the countries. They did provide us with comparative total figures, and I can give the comparative items, what their estimates were and what our estimates are.

DEFICIT ON SHIPPING ACCOUNT WITH UNITED STATES

You will note at the bottom of the table that I have assembled is given a summary picture for all countries. For instance, there is a deficit on shipping account with the United States of 427.5 million dollars for fiscal 1949.

Mr. NITZE. I would like to point out that the figures that are included in this table are for 1 year, and the figures which I gave were on a 15 months' basis.

The CHAIRMAN. These figures are for fiscal 1949, on page 4 of this table.

Mr. MALENBAUM. For a fiscal year; yes.

The CHAIRMAN. So we cannot relate that very well to the proposal in front of us?

Mr. NITZE. Yes.

The CHAIRMAN. This means that the dealings with these countries, with reference to shipping, will result in a shortage of their funds, insofar as ocean-freight payments are concerned, of 427.5 million dollars; is that correct?

Mr. MALENBAUM. With the United States.

The CHAIRMAN. That is, insofar as the United States is concerned.

Mr. MALENBAUM. Yes. The 465.6 million dollars, in the adjoining column, represents the total dollar deficit with the Western Hemisphere.

The CHAIRMAN. With respect to shipping?

Mr. MALENBAUM. With the nonparticipating countries.

The CHAIRMAN. In the Western Hemisphere.

Mr. MALENBAUM. Yes.

The CHAIRMAN. Under participating countries?

Mr. MALENBAUM. That title should read "Other nonparticipating countries."

The CHAIRMAN. That should be "Nonparticipating countries," in the fifth column of figures?

Mr. MALENBAUM. In the fifth column, yes; on page 4; that was left off. It is on page 3.

The CHAIRMAN. For the other nonparticipating countries, 166 million dollars. Is that for something like Russia or Poland?

Mr. MALENBAUM. No; that would be the fleet of other countries—the Indian fleet.

The CHAIRMAN. What fleet?

Mr. NITZE. The largest item would be for India and Australia, in the Far East.

The CHAIRMAN. India does not have much shipping that would get into this, would she?

Mr. NITZE. The United Kingdom does perform shipping services for India and the earnings on that account are included in these receipts.

The CHAIRMAN. In other words, the earnings that the United Kingdom has from these other countries; that is a part of how you arrive at this $166,000,000?

Mr. MALENBAUM. That is the surplus of their receipts over their payments to these countries.

The CHAIRMAN. These items are used now in making up the balance sheet?

Mr. MALENBAUM. I do not quite understand the question.

The CHAIRMAN. These items are used now in calculating what is involved in this so-called European Cooperative Act?

Mr. NITZE. Those items appear on pages 8 and 9 of the estimated balance of payments, in column 6, line 50.

The CHAIRMAN. Page 8 and 9?

Mr. NITZE. On page 8, for instance, in column 6, opposite item 50, you will find 161.4 million dollars, which appears on page 4 of the previous table under payments to "Other nonparticipating countries."

On page 9, opposite item 50, in column 6, you will find 327.4 million dollars, which constitutes their anticipated receipts from other nonparticipating countries.

The difference between those figures is the $166,000,000 which appears on page 4 as their net receipts from other nonparticipating countries.

Mr. MALENBAUM. Yes, of the table which I gave you.

The CHAIRMAN. Where does that appear? I note the $166,000,000; it is a part of what item and column what?

Mr. NITZE. In column 5, opposite 50.

The CHAIRMAN. It is a part of item 50, on page 4 of column 5?

Mr. MALENBAUM. This enters into that balance of payment with other nonparticipating countries, and we do not have——

The CHAIRMAN. Is it a part of the $1,577,000,000?

Mr. NITZE. No.

The CHAIRMAN. Of the $282,000,000, or where does it appear? It is not the whole, I assume, but is it a part of any of them?

Mr. MALENBAUM. On table 4, the item in column 6 (balance of payment book), of 201.7 million dollars is for a 15-month period.

The CHAIRMAN. Page 4, column 6?

Mr. MALENBAUM. 201.7.

The CHAIRMAN. That is what?

Mr. MALENBAUM. That is the 15-month figure for payments. That corresponds to the 161.4 figure for the 12-month period.

Mr. NITZE. On page 2 of your Balance of Payments Manual, in column 6, in the last line you find the total balance of payments deficit of the participating countries with other nonparticipating countries in the amount of 875.5 million, and that is the over-all position of the participating countries for the 15-month period with respect to the other nonparticipating countries, and that indicates that over all with the other nonparticipating countries the participating countries will have a balance of payments deficit, and in the proposals that are before you we have addressed ourselves solely to the deficit with the Western Hemisphere, and have entirely excluded this 857.5-million-dollar item.

Mr. WIGGLESWORTH. That is the deficit of the 16 participating countries plus western Germany in respect to the entire rest of the world?

Mr. NITZE. Outside the Western Hemisphere.

Mr. WIGGLESWORTH. Does it not include the Western Hemisphere?

Mr. NITZE. The Western Hemisphere is included and all the world is included in column 2, total all nonparticipating countries.

Mr. WIGGLESWORTH. Yes; I see. So that the deficit on the invisible account, so far as participating nations is concerned with the rest of the world for the 15 months' period, April 1, 1948 to June 30, 1949, is something like $9,165,000,000, and how much is attributable to the Western Hemisphere?

Mr. NITZE. $8,308,000,000.

Mr. WIGGLESWORTH. $8,308,000,000?

Mr. NITZE. Yes, sir; and 857.5 million dollars with respect to other nonparticipating countries outside the Western Hemisphere.

Mr. WIGGLESWORTH. In this total deficit which we have been discussing there is a deficit on account of shipping with respect to the Western Hemisphere of $465,600,000, and with respect to the entire world of $299,600,000.

Mr. MALENBAUM. That is correct, but those figures and the figures we have been looking at are for 15 months.

Mr. WIGGLESWORTH. And the over-all deficit being reduced by favorable balance to the extent of $166,000,000 from nonparticipating countries outside the Western Hemisphere?

Mr. MALENBAUM. That is right, sir.

The CHAIRMAN. These other four items you undertstand that Mr. Snyder is going to cover?

Mr. NITZE. That is correct.

The CHAIRMAN. And the War Department when they come up. Mr. Cannon, do you have any questions on that?

Mr. CANNON. No, Mr. Chairman.

PRICE ADJUSTMENT

Mr. NITZE. Mr. Kindleberger could testify on the price adjustment item, item 50. We had some discussion of that at an earlier session of the committee. He might be able to give you more information on that.

The CHAIRMAN. I guess we have time to go into that a little while. What can you tell us about that price adjustment picture, Mr. Kindleberger? Are there any documents you want to give us on it?

Mr. KINDLEBERGER. The price adjustment is referred to in that book.

The CHAIRMAN. On page D–4 in this document?

Mr. KINDLEBERGER. No, sir; I had in mind page F–3 which would be useful as bearing on it.

The CHAIRMAN. Do you mean this table on that page [indicating]?

Mr. KINDLEBERGER. And in addition the paragraph above labeled "Prices."

The CHAIRMAN. Well, you might put that table and that statement into the record at this point.

Mr. KINDLEBERGER. Yes, sir.

(The matter referred to is as follows:)

PRICES

The basic estimates for the commodity studies have been calculated on July 1, 1947 prices. The separate summaries indicate to what extent prices have changed from that date. In the request for authorization, it was estimated, based on prices prevailing at the end of October 1947 that prices of the imports from the United States included in the 15-month program had risen by 7.5 percent over the July 1, 1947 level, and that prices of imports from the other Western Hemisphere, after allowance for a decline in the price of Argentine grain, had risen by 5 percent. A further check of prices has been made as of March 1, 1948 in order to test the validity of this assumption as closely as possible as of recent date. This check reveals that prices as of March 1, 1948 had already risen 7.6 percent on a weighted average basis, so far as imports from the United States were concerned, as compared with the allowance of 7.5 percent; prices of European imports from the other Western Hemisphere, on the other hand, had risen only 3.6 percent, as compared with an allowance of 5 percent.

Total commodity imports of the participating countries from the Western Hemisphere, April 1, 1948 to June 30, 1949

[In millions of dollars]

	From United States	From other Western Hemisphere	From total Western Hemisphere
At July 1, 1947 prices	6,999	4,832	11,831
At Mar. 1, 1948 prices	7,528	5.008	11,536
Increase	529	176	705
Percentage increase	7.6	3.6	5.9
Price adjustment used in request	525	242	767
Percentage increase	7.5	5.0	6.5

It will observed in the detailed discussions of prices below that while the prices of food and agricultural prices have in general stabilized, with some tendency to recede in certain items, the levels of raw materials and finished product prices are still going up. The present calculations, thereofre, leave only the smallest of margins available to take care of future price increases.

The CHAIRMAN. This is a figure that is shown in here at what amount in the estimates?

Mr. KINDLEBERGER. Our total adjustment is $705,000,000 on imports.

The CHAIRMAN. Where is that?

Mr. KINDLEBERGER. That is shown on page F–3.

The CHAIRMAN. On imports from the Western Hemisphere?

Mr. KINDLEBERGER. Yes, sir, on imports from the Western Hemisphere. The total adjustment is 766.6 million, or 767 million in the last dollar figure on the right-hand corner.

The CHAIRMAN. If you are going to figure that kind of an item you also have to figure some kind of an item in the same way as to the European exports to us.

Mr. KINDLEBERGER. We have done that.

The CHAIRMAN. Where does that appear?

Mr. KINDLEBERGER. That occurs on page D–4.

The CHAIRMAN. D–4 in this book here?

Mr. KINDLEBERGER. Yes, sir; it is actually page 5 in that book.

The CHAIRMAN. Page 5 you say?

Mr. KINDLEBERGER. This is the same table as we were using before.

Mr. WIGGLESWORTH. D–4?

Mr. KINDLEBERGER. D–5, page 5.

The CHAIRMAN. Page 5?

Mr. KINDLEBERGER. Yes, sir.

Mr. WIGGLESWORTH. The same as the one in the justification?

Mr. KINDLEBERGER. Yes, sir. These are the same tables. In the second column there is an offset against the 766.6 million.

The CHAIRMAN. That is labeled dollar earnings?

Mr. KINDLEBERGER. Yes, sir.

The CHAIRMAN. That is increased dollar earnings?

Mr. KINDLEBERGER. That is increases in prices of their exports to us.

The CHAIRMAN. And the 122.8 is what?

Mr. KINDLEBERGER. The 122.8 is the estimated amount of the increase which will not be the cost to the ECA, but a cost to other countries, the banking institutions, and the International Bank and

that type of thing, which make credit. We estimate some of the increases in prices are paid for by them and not by ECA.

Mr. WIGGLESWORTH. How would you arrive at that figure?

Mr. KINDLEBERGER. That figure is derived by taking such part of the price increase as applies to the commodities above in that column.

Mr. WIGGLESWORTH. And it is just prorated?

Mr. KINDLEBERGER. Yes, sir.

The CHAIRMAN. Now, that is on a 15 months' basis?

Mr. KINDLEBERGER. Yes, sir.

The CHAIRMAN. And the figure $289,000,000 net carried in there is an 80 percent figure rather than any appraisement?

Mr. KINDLEBERGER. Yes, sir.

EXPORTS OF PARTICIPATING COUNTRIES

The CHAIRMAN. Now, is there any place in here where the over-all exports of the participating countries to the Western Hemisphere appear?

Mr. KINDLEBERGER. Yes, sir.

The CHAIRMAN. Where?

Mr. KINDLEBERGER. If you look at the balance of payments book they appear for the fiscal year 1948–49 on page 11. The first three columns relate to the United States, Canada and other Western Hemisphere countries. They further can be derived for the fiscal year, but I am afraid I do not have the figures handy, by deducting items 50, 51, 53, and 54 from the totals.

Mr. NITZE. On page 5 we find the anticipated exports by commodities.

The CHAIRMAN. On page 5 of this same volume?

Mr. NITZE. Yes, sir.

The CHAIRMAN. On page 5 of this same volume?

Mr. NITZE. Yes, sir. There you find a break-down by commodities of anticipated exports over the 15 months' period.

Mr. KINDLEBERGER. But unfortunately the total has to be derived by subtracting the last four items from the total.

Mr. NITZE. And on page 9 you find comparable figures for the fiscal year 1948–49.

Mr. KINDLEBERGER. Mr. Chairman, we have been given to understand that you are interested in having a justification for the total exports of these countries, and I have a statement prepared on that in case you are interested in having it.

The CHAIRMAN. I am interested in that, yes. In what shape is it?

Mr. KINDLEBERGER. I have an apology to make because most of my material got locked up in some office safe, and I have only two copies which I salvaged from the central files. I can talk from one and allow one of them for the committee. I am apologetic that I do not have the full set of them here.

The CHAIRMAN. Well, if you are going to read it, all right.

Mr. KINDLEBERGER. I do not propose to read it. I was proposing to discuss it. I have simply two copies of it here.

The first page is followed by three tables, and I believe the first table is the one in which you are interested, comparing the total exports of these countries for 1938, 1946, 1947 and 1948–49.

The CHAIRMAN. You can put this table into the record.

Mr. KINDLEBERGER. Yes, sir.

The CHAIRMAN. With the explanation of what their total over-all exports will be.

(The matter referred to is as follows:)

JUSTIFICATION OF PARTICIPATING COUNTRIES ESTIMATED EXPORTS

Table I attached gives figures in current dollars for total exports of the participating countries for 1938, 1946, and 1947 as compared with estimated total exports for 1948–49 at July 1, 1947, prices set forth in column 19 on page 11 of "Estimated balance of payments on current account of the participating countries" (brown book). The figures include exports by mother countries to their own dependent overseas territories and by the overseas territories to their mother countries, despite the fact that these transactions rarely require the use of foreign exchange.

It will be observed that estimated exports for 1948–49 at 18,119.7 million dollars are some 24 percent higher than 1947 calendar year exports. 1947 exports at $14,788,000,000 were in turn some 45 percent higher than exports for 1946, the first postwar year, recorded at $10,234,000,000.

Comparison with 1948 in value terms is seriously distorted because of the large increase in prices. On this account table II sets forth for certain countries volume indexes of exports based on 1938 as 100 for 1946 and 9 months of 1947 by quarters, together with a rough index for 1948–49. For those countries where no detailed price indexes for exports were available, a broad indication of the volume of exports has been obtained for 1946, 1947, and the fiscal year 1948–49 through the use of the average level of measured export prices for all continental Europe.

Total exports for France show only a small increase from $1,330,000,000 in 1947 to 1,414.7 million dollars as estimated for 1948–49. This increase is believed to understate the actual increase likely to be achieved since exports to other participating countries for 1948–49 are probably understated by some $100,000,000 or more. This understatement, it should be noted, does not affect the deficit of France with the Western Hemisphere. As shown in table III, French exports to the Western Hemisphere are expected to rise from $170,000,000 in 1947 to $224,000,000 in 1948–49 or by 32 percent.

TABLE I.—*Total exports of participating countries*

[In millions of dollars]

	1938	1946	1947	1948–49 (at July 1, 1947, prices)
Austria	[1] 228	22	84	156.9
Belgium-Luxemburg	732	677	1,378	1,470.1
Denmark	335	336	483	446.0
France	880	730	[2] 1,330	1,414.7
Greece	91	40	67	140.0
Iceland	13	45	45	63.5
Ireland	117	157	159	175.3
Italy	552	287	750	1,075.2
Netherlands	572	296	699	777.9
Norway	193	242	365	414.9
Portugal	50	186	170	133.7
Sweden	465	644	895	847.4
Switzerland	301	625	760	766.7
Turkey	115	218	223	244.8
United Kingdom	2,302	3,889	4,820	5,724.2
Western Germany	2,111	261	372	1,143.7
Belgian dependent overseas territories	([3])	132	237	317.5
French dependent overseas territories	441	603	790	497.0
Netherlands dependent overseas territories	[4] 353	[4] 59	[4] 112	326.3
Portuguese dependent overseas territories	33	92	79	133.3
United Kingdom dependent overseas territories	975	[2] 693	[5] 970	1,850.6
Total	10,859	[2] 10,234	[2] 14,788	18,119.7

[1] 1937 figure.
[2] Partlly estimated.
[3] Not available.
[4] Excludes oil exports.
[5] Estimated.

TABLE II.—*Total exports of participating countries*

[Indexes of volume: 1938=100]

	1946					1947				1948–49 year
	First quarter	Second quarter	Third quarter	Fourth quarter	Year	First quarter	Second quarter	Third quarter	Year or average of 9 months	
Austria	(1)	(1)	(1)	(1)	4	(1)	(1)	(1)	14	28
Belgium-Luxemburg	21	33	45	61	40	59	81	72	71	77
Denmark	44	54	61	75	59	50	80	70	67	69
France	23	43	43	64	43	75	91	80	82	91
Greece	(1)	(1)	(1)	(1)	20	(1)	(1)	(1)	30	63
Iceland	(1)	(1)	(1)	(1)	157	(1)	(1)	(1)	145	203
Ireland	69	58	73	92	73	51	60	77	63	79
Italy	(1)	(1)	(1)	(1)	24	(1)	(1)	(1)	56	80
Netherlands	12	15	29	41	24	41	43	49	44	56
Norway	50	65	63	66	61	71	95	79	82	95
Portugal	(1)	(1)	(1)	(1)	168	(1)	(1)	(1)	139	110
Sweden	53	64	70	72	65	47	69	84	67	70
Switzerland	76	98	109	118	100	108	115	111	111	115
Turkey	55	55	58	152	80	122	89	63	91	97
United Kingdom	84	98	104	111	99	101	102	114	106	137
Western Germany	6	8	8	7	7	6	10	12	9	22

[1] Not available.

Source: 1946 and 1947 figures for which quarterly break-down is given from ECE. Others derived from value figures and ECE average values for continental Europe.

TABLE III.—*French exports broken down by areas*

[In millions of dollars]

	1938	1946	1947	1948–49
To United States	48	52	50	106
Other Western Hemisphere	34	43	120	118
Other nonparticipating countries	274	70	130	177
To other participating countries	278	285	700	646
To own dependent overseas territories	246	280	[1] 330	367
Total	880	730	1,330	1,415

[1] Estimated.

The CHAIRMAN. Now, there is some kind of a break-down of that on page 5 of this brown book, is there not of these commodities?

Mr. KINDLEBERGER. Yes, sir; all commodities, except that the category of miscellaneous commodities in exports amounts to 45 percent of the total.

The CHAIRMAN. So that there is not much of a break-down after all.

Mr. KINDLEBERGER. There is only a partial break-down; yes, sir.

DISCUSSION OF DOLLAR EARNINGS OF PARTICIPATING COUNTRIES

Mr. WIGGLESWORTH. In the over-all table on page D–6 of the justifications, the column 2 figure shows the estimated dollar earnings of each one of these participating countries. Is this the story you are going to give us, the justification of those figures in that column 2?

Mr. KINDLEBERGER. Mr. Nitze has a reconciliation of the exports with those dollar earnings in column 2.

Mr. WIGGLESWORTH. Offhand the figures in this table do not seem to relate to those.

Mr. KINDLEBERGER. No, the figures in this table I have just given you are for 1948–49.

Mr. WIGGLESWORTH. It is a 12 months' table?

Mr. KINDLEBERGER. Yes; it has to be to make the comparison valid for 1947, 1946, and 1938. This is about all there is in summary on the Western Hemisphere, and this checks with the table on page 11.

Mr. WIGGLESWORTH. What I personally would like to get before I get through is a justification for the figures appearing in column 2 in order that the committee and the Congress may be satisfied that there has been allowed in full what it may be anticipated each country can produce in dollar earnings.

Mr. NITZE. May I comment on that, Mr. Wigglesworth?

Mr. WIGGLESWORTH. Yes.

Mr. NITZE. The figure that appears on page D–5 of the justification manual, 4,468.5 million dollars is derived in the following way: The exports to the Western Hemisphere appearing on page 5 of the Balance of Payments Manual are in July 1, 1947, prices and total $3,840,400,000.

Mr. WIGGLESWORTH. Off the record.

(Discussion off the record.)

Mr. NITZE. The total commodity exports during the 15-month period which are listed on page 5 of the Balance of Payments Manual total $3,840,400,000.

Mr. WIGGLESWORTH. $3,840,400,000?

Mr. NITZE. That is right.

When the price adjustment with respect to those exports is taken into account it increases the figure to $4,032,500,000. Added thereto were the net invisible earnings of those countries having net earnings which total $450,100,000. I can give you a break-down of those countries which have net earnings on invisible account, which include Iceland, $800,000; Ireland, $29,000,000; Norway, $47,900,000; Portugal and dependencies, $16,900,000; Sweden, $48,500,000; Switzerland, $284,400,000; and United Kingdom and dependencies, $22,600,000.

Mr. WIGGLESWORTH. And that total is supposed to make up——

Mr. NITZE (interposing). No, sir; not quite yet. There was also included with respect to Portugal an item of $100,700,000 which was the amount of reduction in their own gold and dollar assets which would be necessary to finance their payments without any outside assistance. Their gold and dollar assets are sufficient so that it was anticipated that they could meet their deficit out of their own gold and dollar holdings so that that $100,000,000 was added; and there was subtracted $114,800,000 on account of Switzerland, because Switzerland has a favorable over-all position and, therefore, not all of her dollar earnings would be required to finance imports from the Western Hemisphere.

If one totals the $4,032,500,000, the $450,100,000 of net earnings on invisible account of the countries I have listed, and the $100,700,000 of estimated Portuguese draw-down, one gets a total of $4,583,300,000.

The CHAIRMAN. Do you have a table like that that you can give us?

Mr. NITZE. I am sorry, sir; I have only one copy.

The CHAIRMAN. It is $4,000,000,000 and what?

Mr. NITZE. $4,583,300,000.

Mr. WIGGLESWORTH. From which is deducted $114,000,000?

Mr. NITZE. $114,800,000, which leaves $4,468,500,000, which is the total appearing at the bottom of column 2 on page D–5.

The CHAIRMAN. You might put that table in the record at this point if you will. Do you have it so that you can?

Mr. NITZE. Yes, sir.

(The matter referred to is as follows:)

Deriviation of total dollar earnings in ERP estimates April 1, 1948–June 30, 1949

[Millions of dollars]

Total	4, 468. 5
Total commodity exports of participating countries (July 1, 1947, prices)	3, 840. 4
Total commodity exports of participating countries (current prices)	4, 032. 5
Net invisible earnings of certain countries [1]	450. 1
Portuguese draw-down of assets	100. 7
Total	4, 583. 3
Less Swiss excess over its own needs assumed to be used as credits to other participating countries and included in column 3	114. 8
Total	4, 468. 5

[1] See the following:

Iceland	0. 8
Ireland	29. 0
Norway	47. 9
Portugal and dependencies	16. 9
Sweden	48. 5
Switzerland	284. 4
United Kingdom and dependencies	22. 6
Total	450. 1

The CHAIRMAN. You might go ahead and explain these tables a little if you will.

DISCUSSION OF VOLUME OF EXPORTS AND EARNINGS OF PARTICIPATING COUNTRIES, 1938 TO 1946–47

Mr. KINDLEBERGER. All right. The figures are in millions of current dollars and fail to show the movement in volume since prices have risen substantially in 1946 and 1947 compared with 1938. I have attempted to show the volume figures for certain countries in the following table, table 2.

The CHAIRMAN. But you do not show what that means; is it mil-millions of dollars?

Mr. KINDLEBERGER. No, sir; these are index numbers, with 1998 equal to 100.

The CHAIRMAN. It is an index?

Mr. KINDLEBERGER. Yes, sir; with 1938 equal to 100. It shows Austria, for example, for 1946 with exports of only 4 percent of 1938 in volume.

The CHAIRMAN. Put up at the top that this table is an index only, because with all of these other things in it if anybody should turn to it quickly they would not be able to get that.

Mr. KINDLEBERGER. We might put, "Indexes of volume."

The CHAIRMAN. Yes; indexes of volume.

Mr. KINDLEBERGER. And 1938 equals 100.

The CHAIRMAN. Yes.

Mr. KINDLEBERGER. This shows for 1948–49, sir, that Austria will reach only 38 percent of its 1938 volume of exports and Britain, for example, is expected to reach 137 percent.

The CHAIRMAN. Where do you get that?

Mr. KINDLEBERGER. On the top line. The data for Britain are shown on the bottom line where we have the quarterly figures, showing the volume of exports through 1946 and three quarters of 1947. British exports are expected to rise from 114 percent of 1938 exports in the third quarter of 1947 to 137 percent of 1938 in 1948–49.

The CHAIRMAN. Are these on the basis of volume?

Mr. KINDLEBERGER. Yes, sir; they are indexes of volume which are computed by taking value figures and dividing them by price indexes.

The CHAIRMAN. Yes.

Mr. KINDLEBERGER. They are not too accurate because of the way they are derived.

The CHAIRMAN. Indicating that you expect Britain to be 37 percent above her prewar exports?

Mr. KINDLEBERGER. Yes, sir.

The CHAIRMAN. And Germany to be 22 percent?

Mr. KINDLEBERGER. That is not above, but 22 percent of 1938.

The CHAIRMAN. And Switzerland to be 15 percent above?

Mr. KINDLEBERGER. Yes, sir.

The CHAIRMAN. And Sweden only 70 percent of 1938. I wonder why Sweden would drop off that way?

Mr. KINDLEBERGER. Swedish exports, I think, are still lagging because of the fact that Sweden does not have enough coal and is burning wood. Exports of lumber and lumber products in particular are reduced to the fact that Sweden is using its lumber to fuel its industry and housing.

The CHAIRMAN. What was the balance of trade there prewar?

Mr. KINDLEBERGER. Well, as to prewar I do not have the balance of payments here. I have the export figure, showing that they exported $465,000,000 worth of goods. I can break that down by countries.

The CHAIRMAN. What do they import?

Mr. KINDLEBERGER. We have the balance of payments. In 1938 their commodity imports were $498,000,000.

The CHAIRMAN. The exports were $498,000,000?

Mr. KINDLEBERGER. Yes, sir.

The CHAIRMAN. And the imports were what?

Mr. KINDLEBERGER. $465,000,000.

The CHAIRMAN. That meant a balance of payments to the good of about $30,000,000?

Mr. KINDLEBERGER. No; to the bad in trade.

The CHAIRMAN. I thought you said the exports were $498,000,000.

Mr. KINDLEBERGER. No; imports were $498,000,000, and exports were $465,000,000; their invisible income exceeded their invisible outgo by $50,000,000, leaving them with a net surplus on current account in 1938.

The CHAIRMAN. You mean their shipping earnings were enough to take care of their balance of payments?

Mr. KINDLEBERGER. Yes, sir.

The CHAIRMAN. And now they are only up to 70 percent of their prewar figure?

Mr. KINDLEBERGER. Yes, sir.

The CHAIRMAN. Now, you have in here another figure that makes anybody wonder why you have a 70-percent index there. You have an 84-percent figure for the third quarter of 1947, and yet you drop off.

Mr. KINDLEBERGER. Yes; the average for the three quarters is lower. It was extremely low during the early part of the year.

The CHAIRMAN. I know, but that is not any reason why that should not be stepped up.

Mr. NITZE. That is a seasonal factor. In the case of Sweden they ship out their wood pulp during the summer months, and the receipts therefrom are received during the winter quarters.

The CHAIRMAN. Then for every other country, including Norway, you show an expected increase of a considerable quantity, and there it is up to 95 percent. There must be a screw loose somewhere there.

Mr. KINDLEBERGER. I think it relates primarily to the fact that they have been exporting very little wood pulp and lumber because they have been forced to burn their forest products as fuel.

Mr. NITZE. Their export problem is primarily one relating to their lumber and pulp industry where the total volume of production in Sweden is considerably below 1946. They have overcut their forests and that has been their main export in the past.

The CHAIRMAN. Some of these places seem to run the same by the table that we have here that indicates a recovery in production. Others do not seem to run along that line at all. I am wondering why these things are that way. Belgium is only up to 77 percent of prewar exports and their production is getting up to well over 100 percent.

Denmark is exporting 69 percent, and producing better than 100 percent.

Mr. KINDLEBERGER. I would like to mention, sir, that in the case of the Danish figure, the figure on industrial production that you are looking at covers only a small part of the Danish exports.

The CHAIRMAN. I know that, but that is not all she exports. Their agricultural production is in great demand.

Mr. KINDLEBERGER. Yes, sir; it is in great demand.

The CHAIRMAN. Now, their level of agricultural production in 1946 and 1947 was 94. These figures seem to be on a basis that does not hold up as well as we might hope to have it.

Now, as to France, their exports are largely industrial, are they, or are they agricultural to a certain extent?

Mr. KINDLEBERGER. I think they have a fairly small amount of agricultural exports. Their exports, however, include a large part of handicraft luxury goods—perfumes and that type of thing.

The CHAIRMAN. You have Iceland exporting double what they did prewar. It hardly sounds reasonable for them to be trying to get funds from this set-up.

Mr. NITZE. Their exports are largely to the 16 participating countries.

The CHAIRMAN. When you say their exports are largely to them, do you mean they do not get paid for them?

Mr. NITZE. They do not get paid for them in dollars. That is their problem.

The CHAIRMAN. You have Ireland down there for only exporting 79 percent of her prewar exports, and yet Ireland has had periods of very considerable prosperity.

Mr. KINDLEBERGER. In general their livestock numbers are reduced too, sir.

Mr. NITZE. I think this does illustrate one of the basic problems of European recovery, and that is that trade between the participating countries has been very much lower than it was before the war

because of their payment difficulties, and secondly, that as to some of these countries that used to produce luxury goods in large part and high-value food products, markets have been greatly restricted because of the payment difficulties and the shortage of exchange on the part of other countries. One of the essential requirements of European recovery in consequence is to get an easing up of the intra-European trade pattern and also an expansion of exports to the dollar area.

Mr. KINDLEBERGER. And a part of the expansion in exports to the dollar area must come about by an adjustment of their prices which are undoubtedly too high due to the inflation over there. We have been well aware of that problem, sir.

The CHAIRMAN. Is France the only country for which you have a break-down?

Mr. KINDLEBERGER. No, sir; I have that type of break-down for the major exporting countries on a work sheet. I prepared this as a kind of sample. The fairly small over-all increase in 1948–49 as compared with 1947 is due to the expansion in French trade in 1946 and 1947 with dependent overseas territories and other participating countries over the prewar position. The table shows, however, that France is expecting a large increase of exports to the Western Hemisphere.

Mr. WIGGLESWORTH. It is fair, then, to say that the figures for dollar earnings appearing in column 2 of the over-all table on page D–6 of the justifications was based exclusively on estimated exports from each of the countries concerned and that anything in the nature of gold or dollar holdings is excluded from that column except in respect to Portugal?

Mr. NITZE. That is correct. And the reason for that is one, I think, that could be more profitably discussed when the Treasury is here. But, in general, those gold and dollar holdings of the other countries are already down to such low levels that any further reduction, it was thought, would eventually jeopardize European recovery.

Mr. WIGGLESWORTH. I assume the Treasury, when it appears here, will be able to tell us exactly what those assets or dollar holdings are in respect to each of the participating countries?

Mr. NITZE. Yes, sir. For the record, I think it is also important to point out that column 2, loans and credits, does include the $114,800,000 of excess in the dollar earnings of Switzerland over and above its dollar requirements with respect to the Western Hemisphere trade, on the assumption that Switzerland will expand its dollar credits to other participating countries in that amount.

Mr. WIGGLESWORTH. And the Treasury, also, I take it, will be prepared to go into the figures in column 3 in respect to each of the participating countries?

Mr. NITZE. They will be prepared to go into all of those items which make up the total of $2,136,000,000 at the bottom.

The distribution of that sum of money between purposes, between various commodities, had to be done on the basis of the judgment which was available. As I said, it was an illustrative composition. There is reason, for instance, for believing that the Argentine arrangement with Great Britain which is included in column 3 would cover a large amount of bread grains and coarse grains. That is why some of the $2,000,000,000 has been allocated to the bread grains and coarse

grains column. Similarly, there were reasons for distributing it roughly in this way, but frankly I would have to say it is not fixed. This is merely an illustrative distribution.

The CHAIRMAN. I think we will wind up for today.

Mr. CAWLEY. There are some gentlemen here with respect to the relief package provision and the information media item.

The CHAIRMAN. All right. Let us have them.

Mr. CAWLEY. You will note this item opposite "Administrative and other expenses" on this table D–5 totals for the 12 months' period $78,000,000. That $78,000,000 is made up of $15,000,000 for administrative expenses, $6,000,000 for technical services—those two having been covered heretofore—and in addition it provides $42,000,000 for relief shipments and $15,000,000 for information media guaranties.

The CHAIRMAN. What are they?

Mr. CAWLEY. The ocean freight payments are for shipments by voluntary relief agencies and of individual relief packages. That is pursuant to section 117 (c) of the Economic Cooperation Act. The last item if $15,000,000 is for guaranties of investments in enterprises producing or distributing informational media, as provided by section 111 (b) 3 of the act. We thought before you heard the Army or Treasury Department, you might want to have some testimony on those two items—the ocean freight for relief shipments and the information media item.

The CHAIRMAN. I guess maybe we should, but I do not think I want to take that up this morning.

Mr. CAWLEY. The items enumerated there total the $78,000,000 listed opposite the heading "Administrative and other expenses."

The CHAIRMAN. I think we will take those up Monday morning.

MONDAY, MAY 10, 1948.

OCEAN FREIGHT OF VOLUNTARY RELIEF SUPPLIES

STATEMENTS OF ARTHUR C. RINGLAND, EXECUTIVE DIRECTOR, ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID, STATE DEPARTMENT; GEORGE T. ELLIMAN, ECA; F. R. CAWLEY, ACTING BUDGET OFFICER, ECA

The CHAIRMAN. The item before us is for ocean freight on packages sent from voluntary relief agencies or individuals. Is this what goes through CARE?

Mr. RINGLAND. Through voluntary relief bulk supplies as distinguished from individually addressed packages.

The CHAIRMAN. And other agencies of a similar type?

Mr. RINGLAND. Yes, sir.

GENERAL STATEMENT

The CHAIRMAN. Will you tell us something about this, for the record?

Mr. RINGLAND. Mr. Chairman, the estimate of $10,000,000 for the ocean transport of voluntary relief supplies is based upon the experience of the Advisory Committee on Voluntary Foreign Aid of the State Department in administering a somewhat similar provision

under the interim-aid program under Public Law 84 and Public Law 271, Eightieth Congress.

Of the 70 agencies now registered with the committee, some 30 have been taking advantage of those provisions and have submitted claims estimated in the amount of $6,000,000 for the transportation of goods to Austria, Italy, Greece, China, and in the occupied areas of Germany and Japan.

Those shipments in value represent about 50 percent of the total relief shipped abroad to all countries; in 1947 this total was about $135,000,000.

To safeguard the expenditures each agency is required to file with the committee a statement of organization, articles of incorporation, bylaws, officers, whether voluntary or paid; current records of income and outgo, public audit of accounts, current reports of exports, and transfers of money. Based upon this information the committee is enabled to further an agency's program through the facilities of the Departments of State, Army, Agriculture, and Commerce, for example, in the allocations of short supply and export licenses.

And the committee believes it can be of service to the Administrator, ECA, in the same respect, should Congress make provision for reimbursement of the cost of transportation of voluntary relief supplies to ECA countries receiving assistance in the form of grants.

The committee expects a substantial increase in the export of voluntary relief supplies and claims for the ocean transportation subsidy largely because of the added countries, presumably, to the countries now receiving grant assistance under Public Laws 84 and 271, Eightieth Congress, and I am referring, in addition to the central European countries, to the northern European countries. Additionally the Department of the Army has indicated a willingness to consider an appropriation for Japan and Korea. Transportation of voluntary supplies to these countries is only available to June 30, 1948.

The addition of countries under ECA will not only stimulate the volume of voluntary relief but that volume will be stimulated by the wide interest in voluntary giving through the acceptance of the Marshall plan itself.

The committee is now receiving many applications from agencies and groups, who hope to have their programs facilitated, not only through the provisions for ocean transportation but in the participating country through the payment of inland transportation from the local currency deposits.

I will add just one more thing: In the committee's opinion, the value of voluntary relief is in its supplemental aid as an expression of the interests of the American people in the welfare of the war victims. Many of these are kinsmen, as reflected in the recent sharp increase in voluntary giving to Italy and Greece. A further increase may be expected if provision is made to assist the voluntary agencies registered with and recommended by the Advisory Committee on Voluntary Foreign Aid as suggested in section 117 (c) of the Economic Cooperation Act.

ORGANIZATION OF ADVISORY COMMITTEE ON VOLUNTARY AID

The CHAIRMAN. What is your position, Mr. Ringland?

Mr. RINGLAND. I am Executive Director of the Advisory Committee on Voluntary Foreign Aid.

Mr. STEFAN. What is the name of the committee?

Mr. RINGLAND. It is the Advisory Committee on Voluntary Foreign Aid.

The CHAIRMAN. Set up under subsection C of section 117?

Mr. RINGLAND. Yes, sir. Mr. Chairman, that committee is the successor to the President's War Relief Control Board which served during the active war years.

The CHAIRMAN. And how is that committee set up?

Mr. RINGLAND. The present committee?

The CHAIRMAN. Yes.

Mr. RINGLAND. The Advisory Committee was set up at the suggestion of the President in order to carry on——

The CHAIRMAN. At the suggestion of the President and by whom?

Mr. RINGLAND. When the President's War Relief Control Board completed its regulatory work in 1946 following the cessation of active hostilities, the President suggested to the Secretary of State and the Secretary of Agriculture that the advisory and consultative services of the Board be continued. With that in mind, Mr. Charles P. Taft, chairman and Mr. William L. Batt, former Vice Chairman of the War Production Board and Mr. Chester Davis, of the Federal Reserve bank, as members have been serving without compensation as the Advisory Committee on Voluntary Foreign Aid to advise the Secretary of State and the Secretary of Agriculture on the programs of the voluntary agencies.

OPERATION OF ADVISORY COMMITTEE ON VOLUNTARY AID

The CHAIRMAN. How does this program operate; does it operate on separate funds, or does it audit the cost of the things or of the merchandise shipped for delivery by the Administrator, or the ECA to these destinations; or just how is it handled? Give us a little picture for the record so we will know how it works.

Mr. RINGLAND. Our committee proposes to recommend to the Administrator that he carry out somewhat the same procedure which the committee has followed in the administration of the funds now made available for the ocean transportation of voluntary relief supplies to interim-aid countries. The committee's procedure provides that each agency must file a record of the program in each of the countries where it operates and affidavits as to the bona fides of its consignees. Each shipment is covered by a general relief license granted to the particular agency which the committee has recommended be issued by the Department of Commerce. All claims for reimbursement of the ocean freight charges are documented by the original bills of lading, and a certificate that the goods are essential supplements to the general-relief-assistance program. Following administrative audit by the advisory committee the claims go through the Finance Section of the State Department to the General Accounting Office for preaudit of the tariff rates. Our criterion in the administrative audit of each one of these claims is whether the program of the claimant agency in the particular area and for the particular commodity justifies public support at public expense.

The CHAIRMAN. All of this stuff is shipped in regular commercial ships?

Mr. RINGLAND. Yes, sir.

The CHAIRMAN. Making regular trips to these places?

Mr. RINGLAND. Yes, with some exception. The French Government, for instance, has been giving free transportation for some time; and occasionally that is true of other Governments.

The CHAIRMAN. Just how do they operate?

Mr. RINGLAND. The Advisory Committee in all cases makes recommendations to the Department of Commerce before issuance of the license for the shipment.

The CHAIRMAN. The export license?

Mr. RINGLAND. Yes, sir.

The CHAIRMAN. The bills are presented to the Administrator for official audit; is that the way the thing is handled?

Mr. RINGLAND. We shall suggest to the Administrator that we certify as to the bona fides of the shipments, and presumably the audit will follow in his office.

FREIGHT DURING CURRENT YEAR

The CHAIRMAN. How much was the freight on this item in this current year; at what rate is it running?

Mr. RINGLAND. We were given an allocation of $5,000,000, as authorized by section 2 (f) of Public Law 84. We turned back $500,000 to go in the general pipe line, because we estimated that we would not need it to meet the claims for this fiscal year.

The CHAIRMAN. $10,000,000, on the basis of your statement, is rather a liberal figure, is it not?

Mr. RINGLAND. It is a speculative figure, Mr. Chairman.

The CHAIRMAN. And it is a liberal figure?

Mr. RINGLAND. Yes, sir.

The CHAIRMAN. It does not coincide with the comparative value of the shipments in 1947 and the estimated shipments in that period.

Mr. RINGLAND. The value of the goods shipped to the countries now eligible roughly was $65,000,000.

The CHAIRMAN. A year. You estimate it will reach 100 million dollars, and if it were 4.5 million dollars on 65 million dollars it would possibly run around 7.5 million dollars on the 100 million dollars?

Mr. RINGLAND. With this possible qualification: In this present Economic Cooperation Act there is no restriction as to the character of the supplies. Whereas under Public Law 84 there must be a determination that the supplies are essential supplements to the general relief assistance programs. Our estimates show that the claims we are now paying roughly cover about two-thirds of the costs incurred by the voluntary agencies. Then of course, there are new countries that would be included.

The CHAIRMAN. The freight would not be anymore in proportion, on the shipments, even if the range were a little higher than it was before, would it?

Mr. RINGLAND. It is difficult to forecast the character of the gifts and therefore the cost of the freight. For example, clothing is charged for by the cubic foot, and food and the heavier commodities by the pound. An over-all average would be say $35 a ton for Atlantic shipments. We cannot always tell the proportion that will develop in the contributions. The figure of $10,000,000 for ocean freight is speculative, but it is safeguarded by the precise procedure covering every claim for reimbursement.

Mr. WIGGLESWORTH. Where do these items appear in the over-all break-down for the $53,000,000?

Mr. CRAWLEY. They are contained in the item "Administrative and other expenses, $78,000,000."

Mr. STEFAN. What page?

Mr. CAWLEY. That is on D–5. You will note there opposite the subhead "Administrative and other expenses" an item of $78,000,000. In that item, as we indicated the other day, are estimates for administrative services, technical services, information media and this item of $10,000,000 for ocean freight on relief contributions of organizations.

Mr. STEFAN. That $10,000,000 is in the $78,000,000?

Mr. CAWLEY. Yes; I have given you a detailed break-down of that for the record already.

Mr. STEFAN. And that is in the record?

Mr. CAWLEY. That is already in the record.

Mr. WIGGLESWORTH. $15,000,000 for administration, $6,000,000 for technical services, $15,000,000 for information media, $42,000,000 for relief shipments, and that is divided between the $32,000,000 for individual gift shipments and the $10,000,000 for volunteer agency shipments in accordance with the justification statement on page H–1.

Mr. CAWLEY. Yes. We have just been discussing the $10,000,000 item under the relief figures up to this time.

AGENCIES REGISTERED

Mr. STEFAN. You say there are 70 agencies that have already registered with the State Department for this voluntary foreign program?

Mr. RINGLAND. Yes, sir.

Mr. STEFAN. Will you put in the record the names of these 70 agencies?

Mr. RINGLAND. Yes, sir.

(The list referred to follows:)

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID
OF THE UNITED STATES GOVERNMENT,
Washington 25, D. C., January 15, 1948.

Amended Circular No. 7.

Subject: List of agencies voluntarily recorded with the Advisory Committee on Voluntary Foreign Aid (this list supersedes the Advisory Committee Circular No. 7 dated February 10, 1947, and supplement thereto).

The Advisory Committee on Voluntary Foreign Aid was established by the Secretary of State and the Secretary of Agriculture at the request of the President "to tie together the governmental and private programs in the field of foreign relief and to work with interested agencies and groups." The purpose of the committee is to guide the public and agencies seeking the support of the public in the appropriate and productive use of voluntary contributions for foreign aid.

In order to effect its purposes, the committee has invited voluntary agencies engaged in foreign aid to record their programs and budgets as well as periodic financial statements, public audits of accounts, and reports of the export of relief goods. Under the terms of the committee's invitation, the records of these agencies are open to public inspection. Recording with the Advisory Committee does not connote the committee's approval of an agency's operations, but is a channel through which the public may obtain information concerning the agency; also the recorded information is used as the basis upon which the Advisory Committee may assist in facilitating programs of agencies.

The following agencies are recorded as of January 15, 1948:

Albanian Relief Fund, 431 South Huntington Avenue, Jamaica Plain 30, Mass.
American Aid to France, Inc., 1757–1763 Broadway, New York 19, N. Y.
American Birobidjan Committee, 103 Park Avenue, New York 17, N. Y.
American Federation of International Institutes, 11 West Forty-second Street, New York 18, N. Y.
American Federation of Polish Jews, 225 West Thirty-fourth Street, New York 1, N. Y.
American Field Service, 30 East Fifty-first Street, New York 22, N. Y.
American Baptist Relief, 715 Eighth Street NW., Washington 1, D. C.
American Friends of Czechoslovakia, 8 West Fortieth Street, New York 18, N. Y.
American Friends Service Committee, 20 South Twelfth Street, Philadelphia 7, Pa.
The American Hungarian Relief, Inc., 165 West Forty-sixth Street, New York 19, N. Y.
American Jewish Joint Distribution Committee, 270 Madison Avenue, New York, N. Y.
American ORT Federation, 212 Fifth Avenue, New York 10, N. Y.
American Relief for Czechoslovakia, Inc., 1819 Broadway, New York 23, N. Y.
ART, Inc., 29 Broadway, New York 6, N. Y.
American Relief to Austria, Inc., 10 East Forty-third Street, New York 17, N. Y.
American Relief for Poland, 1200 North Ashland Avenue, Chicago 22, Ill.
American Society for Russian Relief, Inc., post office box 135, Wall Street Station, New York 5, N. Y.
Brethren Service Commission, 22 South State Street, Elgin, Ill.
Central Location Index, Inc., 165 West Forty-sixth Street, New York 19, N. Y.
Church World Service, Inc., 214 East Twenty-first Street, New York 10, N. Y.
Committee on Christian Science Wartime Activities of the Mother Church, 107 Falmouth Street, Boston 15, Mass.
Committee of French-American Wives, 400 East Seventy-second Street, New York 21, N. Y.
Committee for Overseas Relief Supplies (affiliated with World Jewish Congress and American Jewish Congress), 1834 Broadway, New York 23, N. Y.
Congregational Christian Service Committee, 289 Fourth Avenue, New York 10, N. Y.
Cooperative for American Remittances to Europe, Inc., (CARE), 50 Broad Street, New York, N. Y.
Council of Relief Agencies Licensed for Operation in Germany (CRALOG), 122 East Twenty-second Street, New York 10, N. Y.
The Croational Fraternal Union of America, 3441 Forbes Street, Pittsburgh 13, Pa.
Evangelical Samaritan, Inc., 118 East Twenty-eighth Street, New York, N. Y.
Foster Parents' Plan for War Children, Inc., 55 West Forty-second Street, New York 18, N. Y.
Franco-American Committee for Relief of War Victims, 3 West Fifty-sixth Street, New York, N. Y.
Friends of Luxembourg, Inc., 52 William Street, New York 5, N. Y.
Greek War Relief Association, Inc., USA., 221 West Fifty-seventh Street, New York 19, N. Y.
Hadassah, 415 West Fifty-fifth Street, New York, N. Y.
Hebrew Sheltering and Immigrant Aid Society, 425 Lafayette Street, New York, N. Y.
International Committee of YMCA, 347 Madison Avenue, New York 17, N. Y.
International Social Service, 122 East Twenty-second Street, New York 10, N. Y.
International Rescue and Relief Committee, Inc., 103 Park Avenue, New York 17, N. Y.
Licensed Agencies for Relief in Asia (LARA), 122 East Twenty-second Street, New York 10, N. Y.
Little House of Saint Pantaleon, 107 South Avolyn Avenue, Ventnor, N. J. Executive office, Forty-seventh Street and Wyalusing Avenue, Philadelphia, Pa.
Lutheran World Relief, Inc., 231 Madison Avenue, New York 16, N. Y.
Medical and Surgical Relief Committee, Inc., 420 Lexington Avenue, New York 17, N. Y.
Mennonite Central Committee, Akron, Pa.
National Board of YWCA, 600 Lexington Avenue, New York 22, N. Y.
Near East Foundation, 54 East Sixty-fourth Street, New York 21, N. Y.
Pestalozzi Foundation, Inc., 41 East Fifty-seventh Street, New York, N. Y.

Philippine War Relief (of the United States), Inc., 1720 Eye Street NW., Washington 6, D. C.
Refuge des Petits, Inc., 30 Broad Street, New York 4, N. Y.
Russian Children's Welfare Society, Inc., 309 East Seventy-ninth Street, New York 21, N. Y.
Salvation Army, 122 West Fourteenth Street, New York, N. Y.
Save the Children Federation, Inc., 1 Madison Avenue, New York 10, N. Y.
Selfhelp of Emigres from Central Europe, Inc., 147 West Forty-second Street, New York 18, N. Y.
Serbian Relief Committee of America, 5 North Wabash Avenue, Chicago 2, Ill.
Sociedades Hispanas Confederadas, 59–61 Henry Street, Brooklyn 2, N. Y.
Universalist Service Committee, 16 Beacon Street, Boston 8, Mass.
Societe Israelite Francaise de Secours Mutuel de New York, care of Mr. Rene Loeb, 52 Wall Street, New York 5, N. Y.
Tolstoy Foundation, Inc., 289 Fourth Avenue, New York 10, N. Y.
Unitarian Service Committee, 31 East Thirty-fifth Street, New York 16, N. Y.
United Friends of Needy and Displaced People of Yugoslavia, Inc., 487 Onderdonk Avenue, Brooklyn 27, N. Y.
United Lithuanian Relief Fund of America, 105 Grand Avenue, New York 11, N. Y.
United Service to China, Inc., 1790 Broadway, New York 19, N. Y.
United Service to Holland, Inc., 70 Pine Street, New York 6, N. Y.
United States Committee for the Care of European Children, Inc., 215 Fourth Avenue, New York 3, N. Y.
United Ukrainian American Relief Committee, Inc., Post Office Box 1661, Philadelphia 5, Pa.
United Yugoslav Relief Fund of America, 677 Fifth Avenue, New York 22, N. Y.
War Relief Services, National Catholic Welfare Conference, 350 Fifth Avenue, New York 1, N. Y.
War Relief Commission of the National Association of Evangelicals, 2124 Lincoln-Liberty Building, Philadelphia 7, Pa.
World Student Service Fund, 20 West Fortieth Street, New York 18, N. Y.
American Lebanon Relief Association, Inc., 12 East Sixty-Eighth Street, New York 21, N. Y.
Apostolic Christian Church Aid, 102 Roycroft Road, East Syracuse, N. Y.
American National Committee to Aid Homeless Armenians, 262 O'Farrell Street, San Francisco, Calif.

Agencies Complying With Requirements for Free Transportation

Mr. Stefan. Of these 70 there are 30, you stated, that have complied with the requirements for free transportation, under this $10,000,000 item?

Mr. Ringland. No; under the provisions in Public Law 84 there was allocated not to exceed $5,000,000 for ocean transportation to the interim-aid countries, and it was restricted——

Mr. Stefan. It was restricted to interim-aid countries?

Mr. Ringland. Plus——

Mr. Stefan. Plus the participating countries?

Mr. Ringland. Not all of those are interim aid. There was included Austria, Greece, China, and the occupied areas of Germany——

Mr. Stefan. And occupied areas.

Mr. Ringland. And Japan.

Mr. Stefan. Those 30 volunteer agencies complied with the requirements under the interim-aid program?

Mr. Ringland. Yes, sir.

Mr. Stefan. How many others; have all of the 70 complied with $10,000,000 free-transportation provision?

Mr. RINGLAND. That will depend on the extent to which the Administrator of the ECA wishes to be guided by the recommendations we are now preparing for him. It is not anticipated that all of these 70 agencies will be eligible for the provisions under the ECA Act, but some of them operate in the added countries—France, the Netherlands, Denmark, the United Kingdom, and perhaps Norway——

Mr. STEFAN. You can perhaps add all of the 16 participating countries?

Mr. RINGLAND. The number is limited to those receiving assistance in the form of grants as I understand it.

Mr. STEFAN. Yes.

Mr. RINGLAND. We think there may be about 11 countries that could come under; perhaps 12.

Mr. STEFAN. You indicated that about $6,000,000 of claims are in now?

Mr. RINGLAND. Yes. We have available thus far 4.5 million dollars; not all of these claims will be considered valid, but it is anticipated that they will absorb the present funds; that is under Public Law 84.

Mr. STEFAN. What percentage of the 70 will participate in that?

Mr. RINGLAND. In the present law?

Mr. STEFAN. Yes.

Mr. RINGLAND. There are only 30 that are qualified under the present interim aid assistance.

Mr. STEFAN. About how many of these agencies will participate in the $10,000,000 of this fund?

Mr. RINGLAND. I would say perhaps 40.

Mr. STEFAN. Forty?

Mr. RINGLAND. Yes, sir.

Mr. STEFAN. What about the other 30?

Mr. RINGLAND. The other 30 we expect will use the facilities of the principal agencies or will operate in countries outside of ECA. We are trying to limit the number of operators in a particular country to simplify the procedure, and to encourage the smaller agencies to use the facilities of the larger ones.

Mr. STEFAN. Is it intended now—of course some of these are shipping to other than participating countries, to Poland, Czechoslovakia, and other places.

Mr. RINGLAND. Yes; Czechoslovakia, Poland, Hungary, Yugoslavia, Bulgaria, India, Burma.

Mr. STEFAN. And some to Finland?

Mr. RINGLAND. We have some to Finland, yes.

BREAK-DOWN OF RELIEF SENT ABROAD RECORDED WITH COMMITTEE DURING 1947

Mr. STEFAN. Will you put the complete list in the record when you get your remarks?

Mr. RINGLAND. Yes.

(The information follows:)

Advisory Committee on Voluntary Foreign Aid of the United States Government—Dollar value of relief sent abroad during 1947 by American agencies voluntarily recorded with the Advisory Committee on Voluntary Foreign Aid

Country	Number of agencies [1]	Cash transferred	Food		Clothing		Medical and surgical supplies	Health and recreational supplies	Vocational and educational equipment and supplies	Equipment for hospitals, schools, health centers, etc.	Industrial and agricultural equipment and supplies	Miscellaneous	Total cash and commodities sent abroad during 1947
			Weight (pounds) [2]	Dollar value	Weight (pounds) [2]	Dollar value							
EUROPE													
Albania	1					99							99
Belgium	21	817,509	176,332	162,778	90,256	215,537	295	3,583	114	2,011	78	64,495	1,266,400
Bulgaria	10	122,151	354,843	120,151	184,752	129,812	2,000		90			66,276	440,480
Crete	1						7,042						7,042
Cyprus	1		89,056	27,486								12,612	40,098
Czechoslovakia	19	1,249,684	670,977	901,230	526,357	758,079	10,296	3,477	69,023	347,413	8,511	102,149	3,449,862
Denmark	7	5,058	34,296	8,946	36,737	141,311			166			4,783	160,264
Estonia	1		24	24									24
Finland	12	118,224	565,199	307,481	736,042	1,036,295	229	233	725	405	110	9,741	1,473,443
France	37	4,786,544	8,876,237	2,794,048	1,081,467	1,799,152	55,442	51,584	33,788	23,061	29,536	347,426	9,920,581
Greece	15	2,610,002	825,867	464,103	229,081	567,784	215,995	15,387	14,734	1,381,190	2,084	34,794	5,306,073
Hungary	18	8,381,213	5,746,943	1,577,573	1,790,671	2,663,742	39,740	521	8,329	417	9,288	152,747	12,833,570
Italy	25	1,231,277	20,269,136	4,039,335	1,967,738	3,424,609	293,811	96,450	104,743	33,152	176,434	[3] 1,376,403	10,776,214
Latvia	1			44									44
Lithuania	1			16									16
Luxemburg	5	50,100	146,545	42,011	11,160	12,324			4,020			4,272	112,727
Malta	2					65,611							65,611
Netherlands	17	105,687	941,245	332,120	777,702	1,088,993	1,171	38,078	67,836	3,975	39,205	79,218	1,756,283
Norway	10	12,060	45,737	40,770	15,150	160,753	470		59,277	26,480	10,521	678	311,009
Poland	20	3,677,060	5,654,950	2,025,702	3,231,534	5,173,773	145,175	40,126	154,714	7,437	202,404	569,853	11,996,244
Portugal	2	260,775		1,076		791							262,642
Rumania	11	1,563,055	4,261,690	1,520,173	1,221,357	1,415,050	16,799	226	137		163	107,248	4,622,851
Russia	7	117,933	22,861	19,427	113,904	413,175	391,082	8,563	84,395	430,815	9,986	320,148	1,795,524
Spain	7	114,791					292					392	115,475
Sweden	10	117,068	269	7,268	356	648			29			832	125,845
Switzerland	25	1,072,687	774,199	91,948	287,068	303,297	200		675			65,449	1,534,256
United Kingdom	16	175,126	2,850,293	1,623,708	64,355	99,432	9,749	15,084	3,353			14,952	1,941,404
Yugoslavia	13	79,446	2,033,970	194,170	204,515	407,629	37,052	191,119	46,924	159,324	17,406	28,466	1,161,536
Europe, general [4]	3	308	563,295	598,034	406,076	466,295						493,091	1,557,728
Australia	2				11	33						2,500	2,533
Iceland	1		1,252	595	749	485							1,080

OCCUPIED AREAS													
Austria	25	519,014	9,637,419	4,302,113	2,068,699	2,533,883	60,246	4,845	816	2,480	4,833	257,538	7,685,768
Germany: [5]													
January–April	30	878,888		1,530,133		2,780,612	8,223	8,988	32,608	11,391	4,073	367,437	5,622,353
Nationals	15	91,530	24,825,447	2,140,315	3,726,997	3,640,806	54,151	47,315	63,944	4,314	22,990	175,540	6,240,905
DP's	22	316,168	8,805,117	1,441,176	4,025,691	2,175,626	5,659	11,179	1,516		1,495	587,726	4,540,545
CARE			25,427,513	16,957,405	708,241	1,405,460							18,362,865
Germany, total		1,286,586	59,058,077	22,069,029	8,460,929	10,002,504	68,033	67,482	98,068	15,705	28,558	1,130,703	34,766,668
Okinawa	1		16,251	5,586	153,228	146,634						11,619	163,839
Japan	13	67,746	1,981,347	724,643	654,812	904,252	40,799	100	17,236	125	10,483	105,656	1,871,040
Korea	5	43,142	125,075	48,101	308,182	360,884	26,250		5,476			31,314	515,167
FAR EAST													
Burma	2	15,151	49,834	63,135	188,053	259,915			390			34,589	373,180
China	16	3,276,393	2,295,616	770,859	360,488	508,317	309,831	5,041	21,042	3,873	74,534	315,024	5,284,914
India	7	111,872	396,299	404,732	129,762	344,492	17,902		450			47,336	926,784
Indonesia	1	2,497			10,585	10,826			498			6,195	20,016
Java	2	3,000	44	11	11	11					1,750		4,772
Malaya	1	7,393		1,070	42,753	49,364		227				60	58,114
Netherlands East Indies	3		610	966	22	37,780	645					2,255	41,646
Pakistan	2		121,738	31,524	225,837	225,047						23	256,594
Philippines	10	480,302	227,000	65,114	350,763	453,799	105,724	1,150	6,872	202		80,060	1,193,223
Siam	2	17,306	1,090,534	334,881	117,939	141,740			4,580			70,029	568,536
Asia, general [4]	2	3,525			36	81							3,609
NEAR EAST													
Iran	3	47,642							2,469	130		1,032	51,273
Lebanon and Syria	3	137,229										1,145	138,374
Palestine	8	4,890,619	24,185	5,965	5,409	5,557	259,192	115,390		8,467		439,291	5,724,481
Turkey	3	16,485							2			30	16,517
AFRICA													
Algiers	2		1,350	494								2,102	2,596
Egypt	4	13,190			108	504			2			8,465	22,161
Ethiopia	1	21,595	1,952	382	2,768	3,439	3,591		1,539			2,119	32,665
Libya	1					2,551							2,551
Madagascar	1						100						100
Tunis	1	1,927	7	11	2	2					71	16,580	1,940
Africa, general [4]	11	154,791	329	137	112	112	4,229						175,920

See footnotes at end of table, p. 845.

Advisory Committee on Voluntary Foreign Aid of the United States Government—Dollar value of relief sent abroad during 1947 by American agencies voluntarily recorded with the Advisory Committee on Voluntary Foreign Aid—Continued

Country	Number of agencies [1]	Cash transferred	Food		Clothing		Medical and surgical supplies	Health and recreational supplies	Vocational and educational equipment and supplies	Equipment for hospitals, schools, health centers, etc.	Industrial and agricultural equipment and supplies	Miscellaneous	Total cash and commodities sent abroad during 1947
			Weight (pounds) [2]	Dollar value	Weight (pounds) [2]	Dollar value							
CENTRAL AND SOUTH AMERICA													
Argentina	4	10,624											10,624
Bolivia	1	1,873											1,873
Brazil	3	11,622											11,622
Chile	3	11,855											11,855
Columbia	1	301											301
Mexico	5	58,058											58,058
Paraguay	1	23,268			1,591	19,788	196	783		3,000		9,954	56,989
Uruguay	2	13,729											13,729
Venezuela	1	132											132
Central and South America, general [4]	5	171,747		$1,529	267	452	197					17,235	191,160
WEST INDIES													
Cuba	1	1,039											1,039
Dominican Republic	1	240											240
Haiti	2	1,223	324	81	81	81							1,385
Jamaica	1	2,976											2,976
Puerto Rico	6	29,278	26,014	3,552	1,123	2,030			100			1,320	36,280

SUMMARY

Europe	26,667,758	54,903,964	16,899,622	12,976,278	20,344,191	1,226,840	464,431	653,072	2,415,680	505,726	3,856,025	73,033,345
Australia				11	33						2,500	2,533
Iceland		1,252	595	749	485							1,080
Occupied areas	1,916,488	70,818,169	27,149,472	11,645,850	13,948,157	195,328	72,427	121,596	18,310	43,874	1,536,830	45,002,482
Far East	3,917,439	4,181,675	1,672,292	1,426,249	2,031,375	434,102	6,418	33,832	4,075	76,284	555,571	8,731,388
Near East	5,091,975	24,185	5,965	5,409	5,557	259,192	115,390	2,471	8,597		441,498	5,930,645
Africa	191,503	3,638	1,024	2,990	6,608	7,920		1,541		71	29,266	237,933
Central and South America	303,209		1,529	1,858	20,240	393	783		3,000		27,189	356,343
West Indies	34,756	26,338	3,633	1,204	2,111			100			1,320	41,920
Grand total	38,123,128	129,959,221	45,734,132	26,060,598	36,358,757	2,123,775	659,449	812,612	2,449,662	625,955	6,450,199	133,337,669

[1] Number of agencies recorded with advisory committee shipping supplies to country during 1947.

[2] Agencies were not requested to furnish weights of food and clothing shipped during months of January through April. The weights shown therefore represents supplies shipped during the 7-month period—May 1 through Dec. 31.

[3] Includes $1,051,923 worth of supplies sent by ARI—break-down by commodities not available for period January–March 1947.

[4] Transferred to agencies' stock piles, allocations to countries to be made by field personnel.

[5] American voluntary agencies may provide supplies and services to Germany through three channels—(1) General distribution to German nationals through the Council of Relief Agencies Licensed for Operation in Germany (CRALOG); (2) to displaced persons if consigned to or in care of the International Refugee Organization; and (3) to specified individuals (both German nationals and DP's) through CARE. During the period January through April 1947 agencies were not asked to show the break-down between shipments to German nationals and to DP's. Figures shown under caption "January–April" represents shipments to both, but does not include CARE .

Mr. STEFAN. As I have understood this, there will be about 30 of these voluntary agencies that will ship packages and supplies to foreign countries that will not be able to participate in this $10,000,000 free transportation?

Mr. RINGLAND. That is only because they will not be operating in the ECA countries.

ORGANIZATIONS PARTICIPATING TO THE GREATEST EXTENT

Mr. STEFAN. Which organizations and agencies participate to the largest extent?

Mr. RINGLAND. There are about 10 agencies in that category.

Mr. STEFAN. Name the ones in that list.

Mr. RINGLAND. The largest shipper of the group during the calendar year 1947 is the American Jewish Joint Distribution Committee.

Mr. STEFAN. The first is the American Jewish Joint Distribution Committee.

Mr. RINGLAND. Yes. The next is the War Relief Services, National Catholic Welfare Conference.

The Third is the Church World Service, Inc., which is a federation of the Protestant organizations.

Then comes CARE.

Mr. STEFAN. CARE is about fifth or sixth?

Mr. RINGLAND. In volume it comes second to the Jewish Distribution Committee.

Mr. STEFAN. I want it according to volume.

Mr. RINGLAND. Well, in volume——

Mr. STEFAN. Can you give us the order in which they occur by volume?

Mr. RINGLAND. Yes; I can give that to you now.

Mr. STEFAN. You say the American Jewish Joint Distribution Committee is first.

Mr. RINGLAND. Yes; the American Jewish Joint Distribution Committee was first with $35,142,558.

Mr. STEFAN. And second is CARE.

Mr. RINGLAND. The second was CARE, $21,029,395.

War Relief Services, National Catholic Welfare Conference, $12,325,416.

The Church World Service, is almost the same as that of the preceding group, $12,083,451.

The first four agencies' contribution was $80,580,622; which amounts to 59.8 percent of all voluntary relief reported through the Advisory Committee for 1947.

The next six large contributors were in this group: There was the Hadassah, the Jewish agency shipping to Palestine; that was $5,702,884.

The sixth was the American Relief to Italy, $5,044,535; the seventh was the Greek War Relief Association, $3,943,596; the eighth, American Aid to France, $3,291,555; the ninth, United Service to China, $2,102,279; the tenth, American Relief for Poland, $1,665,527.

Taking the first 10 organizations collectively they sent over around $100,000,000 out of the $135,000,000; in other words, those 10 agencies out of the 70 carried on about 75 percent of the voluntary relief volume in 1947.

Mr. STEFAN. Those 10 agencies handled about 75 percent of all voluntary free distribution of food, and so on?

Mr. RINGLAND. Yes.

VALUE BY SHIPMENTS BY RELIEF AGENCIES IN 1947 AND ESTIMATES 1948–49

Mr. STEFAN. Your justifications indicate that in the calendar year 1947 the principal agencies registered with the Advisory Committee on Voluntary Foreign Aid—and I assume those are the agencies you have referred to—shipped approximately $65,000,000 worth of goods to the countries involved.

Now how does that tally with the $85,000,000?

Mr. RINGLAND. The $65,000,000 is confined to shipments made to the interim countries, plus occupied countries.

Mr. STEFAN. The 30 agencies we are talking about?

Mr. RINGLAND. Yes.

Mr. STEFAN. Then you say after consultation with the representatives of these agencies it is estimated that their shipments during the period April 1, 1948, to April 1, 1949, as a result of the impetus given by the economic cooperation program and the payment of ocean freight through Government funds, will reach approximately $100,000,000.

Mr. RINGLAND. That is the value of the shipments, our estimate of the value of the shipments.

Mr. STEFAN. That is coordinated then with the $135,000,000; is that correct?

Mr. RINGLAND. The $135,000,000 includes the total value of all relief which went to all countries through the committee.

Mr. STEFAN. That explains it then. Then in your justifications you state it is estimated that the ocean freight for individually mailed packages will amount to approximately $32,000,000 during the fiscal year April 1, 1948, to April 1, 1949, and during the fiscal year 1947 a total of approximately 237,500,000 pounds of parcel-post packages were dispatched to civilians of the countries involved.

You mean by that the individuals who sent parcel-post packages with free freight?

Mr. RINGLAND. No; there is a distinction between the voluntary relief supplies and the individual relief packages.

Mr. STEFAN. Yes.

DISCUSSION OF ISSUANCE OF RELIEF LICENSES

Mr. RINGLAND. The first are supplies shipped by the agencies registered with the Advisory Committee and qualified as shippers by the disclosure records I have spoken of. And on the basis of that information the agencies obtain a general relief license from the Department of Commerce upon the recommendation of the Advisory Committee. They ship in bulk for general relief abroad to charitable institutions so their operations are distinct from the individual relief packages which are addressed to individuals.

Mr. STEFAN. What about the number that would participate in the license. As I understood you, if they are parcels, or even if they are packaged, they will have to be marked and described as to content

and will have to conform with the Department of Commerce License Division regulation, will they not?

Mr. RINGLAND. Under the voluntary relief operations the supplies all go over in bulk and under what is known as an RLS general relief license.

Mr. STEFAN. What is the RLS?

Mr. RINGLAND. The RLS designates the type of relief license recommended to the Department of Commerce. For example, an agency is given a license to ship until revoked to specified consignees under affidavit filed with the Advisory Committee, that is, to bonafide consignees in the receiving country, and the affidavit requires that the supplies shall not be commercial, and shall be distributed free, without any discrimination.

Mr. STEFAN. The "R" means relief, and the "L" means license; what does the "S" mean?

Mr. RINGLAND. I do not know; but it is for general relief items, and that is just a symbol used by Commerce for their customs officers.

Mr. STEFAN. But when you talk about $100,000,000 out of the $135,000,000, you are referring to those who are going to come under licensed shipments?

Mr. RINGLAND. For each agency?

Mr. STEFAN. For each agency.

Mr. RINGLAND. That we recommend; yes.

Mr. STEFAN. And you have recommended up to this time 30?

Mr. RINGLAND. We have recommended 70.

Mr. STEFAN. And 40 of those 70 will come in for license?

DISTRIBUTION OF RELIEF PACKAGES

And after the goods arrive over there they are not distributed through governmental channels or ECA?

Mr. RINGLAND. No.

Mr. STEFAN. They are distributed wherever these agencies want them distributed; is that correct?

Mr. RINGLAND. That is correct, but under conditions which assure that the authorities give their proper cooperation in the work of distribution.

Mr. STEFAN. In other words, it might go to one community.

Mr. RINGLAND. It might.

Mr. STEFAN. For instance, as in my district, there is the town of Bloomfield, Nebr., where a man named Canada during the early days of relief gave all of his wheat and corn checks to the Department of Agriculture in order to distribute food to these various countries. He has been for a long time endeavoring to give away several carloads of horses, but he has been unable to get anybody in the Government to accept them to go over there.

Now, as a result of his inability to get some Government agency to take these horses and other foods to distribute to these various countries the town of Bloomfield, Nebr., has set up an organization which has adopted a town over in Germany, I think, or somewhere over there. They have adopted that town. Now, as I understand it, the food that they are going to ship over there will probably be shipped through one of these agencies.

Mr. RINGLAND. Yes, sir.

Mr. STEFAN. And that food will be distributed over there through a committee in that town, or it will be distributed through one of these particular agencies, and it comes into your program, does it not?

Mr. RINGLAND. It does. In Germany the procedure is slightly different. General Clay recognizes a group known as the Council of Relief Agencies for Operation in Germany recommended by the Advisory Committee on Voluntary Foreign Aid, and its supplies go to the German Welfare Committee for equitable distribution. That committee conists of military representatives, and of the American agencies and the German welfare groups.

Mr. STEFAN. Well, all right. So, we have a picture here of voluntary aid in Europe amountng to approximately $135,000,000 of voluntary free food, clothing, and so forth, and that is going to be expanded, according to your justifications, it is going to be expanded by reason of the fact that people are giving more toward aiding in this program. Along with that are the individual packages which amounted during the fiscal year 1947 to around 237,500,000 pounds of parcel-post packages from individuals sent over to friends or to somebody who had written to them from Europe stating that they are hungry and in need of clothing, food, and so forth.

CONSIDERATION OF DISTRIBUTION OF PRIVATE RELIEF IN ECA PROGRAM

Now, how is that food and all of that clothing relief related in the distribution of ECA relief? Is it balanced in there in some way or other?

Mr. RINGLAND. We have had somewhat the same situation because of the great volume going over under the international parcel post procedure. Of course, that gives an opportunity for the family to take something out of the closet or off the pantry shelf and to make up their own package to send abroad.

Mr. STEFAN. But has all of this voluntary relief been taken into consideration in making up the ECA program?

Mr. RINGLAND. I cannot answer that question.

Mr. STEFAN. You cannot answer that question?

Mr. RINGLAND. No, sir. I can answer it to this extent, that we consider voluntary relief a very essential supplement to the general relief supplies because of the added assistance it gives to vulnerable groups such as children.

Mr. STEFAN. Is there somebody here from the State Department, or somebody here from ECA who can answer the question as to whether that has been taken into consideration in giving the details of the ECA program.

Mr. CAWLEY. This may help to answer your question, Mr. Stefan, that most of these relief shipments are in addition to the amounts programed under ECA.

Mr. STEFAN. Sure.

Mr. CAWLEY. ECA, as such, is not a relief agency.

Mr. STEFAN. I know, it is supplemental, and a lot of times the recipient gets it quicker than he would in going through this red-tape program, and he is able to get it now, when he is hungry.

Mr. CAWLEY. This program fills a gap.

Mr. STEFAN. Yes; it certainly assists in raising the calorie content in what the persons who receive these packages have to eat. I want

to know whether that $135,000,000 worth of supplies and food, or about 237,500,000 pounds has been taken into consideration. Certainly that is a big supplement, but I want to know whether Mr. Hoffman or any other member of your organization has taken that into consideration in making up your tables on what is needed over there.

Mr. CAWLEY. Your question is directed, then, to the drain on the economy; is that true?

Mr. STEFAN. That is correct.

Mr. CAWLEY. I am fairly certain that the individual shipments for relief purposes have not been fully taken into consideration as being a part of the ECA program requirements, although the shipments by relief agencies are included in the export picture.

Mr. STEFAN. That would be taken into consideration as to availability?

Mr. CAWLEY. Yes, sir; because it is within total export figure.

Mr. WIGGLESWORTH. That does not mean that they have been taken into consideration in determining the needs in ECA.

Mr. SURREY. Yes, sir, I think it does because we have, for example, the previous year's total amount sent over there of food and the total amount of food shipped to a particular country and what the calorie diet is together with local production that they produced. Now, included in those figures are the relief-shipment figures because they go out as regular exports with export licenses.

Mr. STEFAN. No, there is no export license required on a food package.

Mr. SURREY. But we have export licenses with respect to the commodities.

Mr. RINGLAND. On the bulk voluntary relief supplies we receive an allocation from the Department of Agriculture on short supply commodities.

Mr. STEFAN. If I want to send a food package over there do I have to go to the Department of Commerce and get a license?

Mr. RINGLAND. No, sir, if you are referring to parcel post.

Mr. STEFAN. I simply state so much, and what is in that package.

Mr. RINGLAND. That is for a parcel by mail.

Mr. STEFAN. I am talking about a parcel.

Mr. SURREY. I was talking about the general shipments going over there through these organizations. Insofar as your individual shipments are concerned that go through the post office those do not show up in your export.

Mr. STEFAN. But there are about 237,500,000 pounds of them, and that is a lot of pounds.

Mr. SURREY. But those do not affect the availability here because they are commodities that are already taken out of the corner grocery store, and that the individual housewife will buy herself and ship to Europe.

Mr. WIGGLESWORTH. That must affect the availability by that much. The impact of all of that poundage going out of this country does affect the availability.

Mr. SURREY. It is an element that is covered in our domestic use.

Mr. WIGGLESWORTH. The fact remains that it detracts from the over-all supply against which the domestic need and the foreign need is supplied.

Mr. SURREY. But it is a figure that we would normally have to assume falls within our domestic requirements.

Mr. WIGGLESWORTH. Whether it is domestic or foreign requirements, it is a drain against over-all supply when you figure out availability.

Mr. SURREY. Yes, sir, that is true, but what I am saying is that it is a drain which you would calculate on your domestic requirements rather than your foreign requirements.

Mr. WIGGLESWORTH. From the point of view of availability I do not think it makes much difference which place you put it.

Mr. SURREY. It does to this extent, in determining how much can be made available abroad on an over-all basis. In reaching that determination you have to know how much you need domestically. Now, whether a woman buys in the store and mails abroad something needed domestically, we do not know as far as statistics are concerned because we do not know whether the individual is consuming that here or shipping it abroad.

Mr. WIGGLESWORTH. Mr. Keefe, do you have any questions?

Mr. KEEFE. As a matter of fact, is it not true, that so far as the shipments made abroad by these so-called relief agencies are concerned they are pure charity?

Mr. RINGLAND. Yes, sir.

Mr. KEEFE. For which the recipient makes no payment whatever in the foreign countries?

Mr. RINGLAND. That is right, sir.

Mr. KEEFE. So far as ECA shipments are concerned, which move in the normal channels of distribution and trade, wherein the participating countries the recipients of that assistance, if it may be called such, pay for it in local currencies in the regular channels of distribution and trade?

Mr. RINGLAND. Yes, sir.

Mr. KEEFE. So far as Mr. Wigglesworth's question is concerned, it is true that in computing the over-all ability on the part of the United States to furnish food and goods either for charitable distribution or for distribution under ECA, and in the normal channels of distribution and trade, the total availability to the United States is affected by this charitable distribution abroad. There can be no question about that, but the difference is that if I, as a citizen of the United States, make a charitable gift to an agency for distribution abroad as a charity or as a direct shipment as an individual charity to some individual abroad I do so with the sense that I am doing it as a charity and depriving myself.

Mr. RINGLAND. Precisely.

Mr. KEEFE. And that distinguishes between pure charity and plain business that is contemplated under ECA?

Mr. RINGLAND. Yes, sir.

Mr. KEEFE. And to that extent, so far as the psychology of the thing is concerned, the effect would be tremendously more important upon the recipient in the foreign country than if the foodstuffs were purchased through payment for them in local currencies by the individual who gets them in the normal channels of trade and distribution?

Mr. RINGLAND. Yes, sir, and I think that was demonstrated recently in Italy.

Mr. KEEFE. I do not think we need to belabor that problem, at least not so far as I am concerned.

PAYMENT OF OCEAN TRANSPORTATION

Now, as I understand it, provision for payment of ocean transportation only means that these agencies like the Jewish Welfare Agency, the Catholic Welfare Agency, the Protestant Welfare Agencies, and so forth and so forth, must collect that material in this country and assemble it at the seaboard?

Mr. RINGLAND. Yes, sir.

Mr. KEEFE. And the costs of transportation and in assembling that material at the seaboard are borne by these local agencies?

Mr. RINGLAND. Yes, sir.

Mr. KEEFE. And by the individuals who contribute to them.

Mr. RINGLAND. Yes, sir; or from the agencies resources.

Mr. KEEFE. Therefore, if I contribute to the Catholic Welfare Agency a case of canned peas in my home town, in Oshkosh, Wis., that welfare agency has to arrange first a concentration center locally, and, secondly, load it aboard freight cars and pay the freight to the port of shipment; that is right, is it not?

Mr. RINGLAND. Yes, sir.

Mr. KEEFE. And from that point on the ocean transportation is paid to the foreign port out of these requested funds?

Mr. RINGLAND. Yes, sir.

Mr. KEEFE. And when it arrives over there it must again be transported to the point of distribution in the foreign country, and as I understand the law and the operations of it under the regulations to be approved by the Administrator the cost of distribution in the foreign country itself it is expected will be charged against this fund that is established out of local currencies?

Mr. RINGLAND. Yes, sir.

Mr. KEEFE. Developed as a result of the ECA program, is that correct?

Mr. RINGLAND. Yes, sir.

POSTAL AND EXPRESS RATES FOR RELIEF PACKAGES

Mr. KEEFE. Therefore this is not an answer, then, to the letters which every Member of Congress has no doubt received from individuals throughout the country who say why are we not permitted to get a decrease in postal rates or express rates or other rates that will enable us to send packages to people in Europe when, as a matter of fact, the postal or other carrying charges thereon are practically as much as the value of the stuff in the United States, of the thing which they are sending abroad. And they will still have to continue, if they ship parcel post, to pay the carriage abroad.

Mr. ELLIMAN. No, sir.

Mr. KEEFE. That is exactly what I am getting at. If I arrange a package to ship to a designated consignee in Germany or in France, or in Great Britain, or in Italy or in any one of these participating countries, I have to pay postage on it, do I not, for delivery to that country?

Mr. ELLIMAN. No, sir, the provision in subsection 2 here takes care of that for you.

Mr. KEEFE. What is it?

Mr. ELLIMAN. That is what this $32,000,000 is requested for, sir.

Mr. KEEFE. For what?

Mr. ELLIMAN. To subsidize the ocean freight-transportation of parcel-post packages.

Mr. KEEFE. All right, now, let us get this. That is exactly what I am leading up to. I go into the post office in my home town and deliver a package to the post office to be shipped by parcel post to John Jones in England. Now, I have to pay the parcel-post charges on that for delivery to that post office, do I not?

Mr. ELLIMAN. The proposal is that the international postage rate will be subsidized to the extent of the ocean transportation and, therefore it will be reduced so you will not have to pay 14 cents a pound.

Mr. STEFAN. It will be less postage?

Mr. ELLIMAN. Yes, sir.

Mr. KEEFE. Has that regulation been established?

Mr. SURREY. No, sir, I do not believe it has been established yet. The bill does provide that what we will probably need is a new postal rate which will reflect the cost of transportation of your parcel in this country, and the cost of loading it aboard the vessel, and the invoicing cost, and so forth, but it will not cover the cost of the ocean freight thereon.

Mr. KEEFE. I want to be certain that we know what we are doing, because during the war the Post Office Department received the air-mail postage and regular postage on a letter for delivery to a foreign destination. In normal peacetime the Post Office Department would have been required to carry that letter to the point of destination, but as the thing worked out they only carried it to the APO at San Francisco or at New York, and the Army or the Navy then assumed the burden of the cost of carrying it to destination, and as a result the Post Office Department for the first time showed in the black because they were accepting the pay for the delivery of this huge volume of mail and performed only a small fraction of the service involved, and no one has ever yet been able to find out what the costs were to the Army and the Navy for performing the Post Office's function.

Now, if you are going to have a system like that I want to know about it, because it is not a system that I would be inclined to approve of.

To get back to my other illustration, I go into my post office, as the thing stands right now, right as it is today, and I pay the full charge for the delivery of that package to the destination in the foreign land, do I not?

Mr. ELLIMAN. Yes, sir.

Mr. KEEFE. That is what the people are complaining about, that the cost is so high, and it is a charge upon our charity in this country.

Now, as I understand it, unless there is some legislative action taken that situation will still prevail. You tell us that there is legislation that will permit the assumption by ECA of the ocean carriage cost of these parcel-post packages and then under an agreement with the International Postal Union there will, perhaps, sometime be a reduction in rates arrived at that would account for this ocean transport, and you thus subsidize the International Postal Union out of ECA funds. Well, what is the present status of that situation and what are the prospects for putting any such thing into effect?

Mr. STEFAN. On page 20 of the present law, section (c) it states:

In order to further the efficient use of United States voluntary contributions for relief in participating countries receiving assistance under this title in the form of grants or any of the zones of occupation of Germany for which assistance is provided under this title and the Free Territory of Trieste or either of its zones, funds made available for the purpose of this title shall be used insofar as practicable by the Administrator, under rules and regulations prescribed by him, to pay ocean freight charges from a United States port to a designated foreign port of entry (1) of supplies donated to, or purchased by, United States voluntary non-profit relief agencies,

and so forth,

or (2) of relief packages conforming to such specified size, weight, and contents, as the Administrator may prescribe, originating in the United States

and so forth,

Mr. KEEFE. I am thoroughly familiar with that.

Mr. STEFAN. I was wondering if this would not result in lowering your postal rates.

Mr. KEEFE. I want to be certain that it does. In other words, is this going to be a subsidy to the individual shipper, or is it going to be a subsidy to the Post Office Department, and will the individual shipper still pay whatever the international postage rate is?

Mr. HOFF. Before any subsidy is given which will go to the individual shipper, it will be worked out with the Post Office Department and the International Postal Union. The general proposition being work on for which these funds are intended is that the present rate is 14 cents a pound and there is a certain amount of it, say, 4.3 cents for ocean freight, and also another part of the 14 cents which is made up of the terminal charges on the other end, say, 2.7 cents, and that would make a total of 7 cents. Before any subsidy is given for any amount of these funds it will be worked out with the Post Office Department and the international organization, so that this 14-cent rate will be reduced by the saving of the amount of the subsidy less an increased cost in going through our books and the facilities of the Post Office Department. They have stated that it will cost them a little more, so if there is a 7-cent saving there it may result in an 8-cent postage rate.

Mr. KEEFE. When? This is supposed to be in effect now.

Mr. HOFF. It is being worked on now.

Mr. KEEFE. But this is supposed to be in effect now.

Mr. STEFAN. This is a law.

Mr. KEEFE. You say you are taking it up and also the regulations are going to go into effect sometime in the future. Now, the mail that I am getting bears directly upon this question. The Members of Congress are interested in it and the public is interested in it. Now, this program is in effect now?

Mr. HOFF. No.

Mr. KEEFE. It should be; the funds are available.

Mr. HOFF. Funds are available, but unless this $32,000,000 is appropriated they are not actually available for this particular purpose.

Mr. KEEFE. Why not?

Mr. HOFF. The funds for this are not yet appropriated.

Mr. KEEFE. You have $1,000,000,000.

Mr. HOFF. Yes, we have a billion dollars.

Mr. KEEFE. That is some money, I would say.

Mr. HOFF. But if this amount is not approved in the appropriation that would have to come out of something else.

Mr. KEEFE. But this is in the basic law.

Mr. HOFF. As a matter of fact in the conference report it talked about authorizing the Administrator. We have two things that have to be worked out, and before the whole thing can be worked out we have to work out the terminal charges on the other and which are a part of the arrangements of the use to be made of local currency deposited against grants.

Mr. STEFAN. Whom do you represent?

Mr. HOFF. The ECA. I am in the general counsel's office.

Mr. STEFAN. In the general counsel's office?

Mr. HOFF. Yes. I cannot say I talk from authority. I have seen the reports which the Post Office has given us recently, and I believe we have just received some new figures on Saturday on ocean freight charges, and it is in process of being worked out now, but the arrangement whereby the subsidy will redound to the benefit of the individual shipper takes a little time to put into effect.

Mr. KEEFE. How long is it anticipated that will take?

Mr. ELLIMAN. I should think within a very short time after the bilateral agreements have been worked out. I do not think you can subsidize a part and not all of it.

Mr. KEEFE. I understand it involves blocked funds in these special accounts.

Mr. ELLIMAN. Yes, sir, and there also has to be a final determination as to which countries are going to get grants before that can be effected.

Mr. HOFF. And the agreements have to be worked out country by country, of course.

Mr. ELLIMAN. The Post Office Department is ready to put this into effect in a very short time once the authority is given to them.

Mr. KEEFE. Well, I would certainly expect that if this appropriation were made that it would ultimately result in a subsidization of the ocean freight on these individual packages, which are pure charity, going from American citizens to citizens in foreign lands, so that they will receive the benefit of the subsidy and not the general revenues of the Post Office Department.

Mr. HOFF. That is 100 percent correct.

Mr. KEEFE. I do not want to have another repetition of what we had during the war, some phony representations of operating at a profit for the first time in history. I do not want that contribution to be made for that purpose, but to have it ultimately for the benefit of the individual shipper who is going into his charitable impulses and shipping this stuff abroad.

Mr. ELLIMAN. Yes, sir.

Mr. KEEFE. That is being worked on, is it not?

Mr. HOFF. Yes, sir; actively.

Mr. KEEFE. Of course, the shipments by organizations which have qualified and have been authorized to make shipments under the program which you have described, sir, will be handled on the other end in the participating countries by the various relief organizations which have been approved in those countries for distribution over there.

Mr. RINGLAND. Yes, sir; under American supervision.

Mr. KEEFE. So as to insure equitable distribution among the participating countries on the basis of need.

Mr. RINGLAND. Yes, sir.

Mr. KEEFE. Or as a supplement to the regular dietary standards that have been set up in those countries.

Mr. RINGLAND. Yes, sir; the greater part of those supplies go to charitable institutions, orphanges, hospitals and the like under the direct supervision of American representatives of these agencies.

Mr. KEEFE. This will supplement the regular allocations of ECA products which would flow into the normal channels of distribution in those countries, some of which it might be expected would reach charitable organizations that are set up and this would supplement those things.

Mr. RINGLAND. It would.

Mr. KEEFE. As direct charity from America.

Mr. RINGLAND. Yes, sir.

Mr. KEEFE. That is all I have to ask, Mr. Chairman.

Mr. WIGGLESWORTH. Let me ask just one or two questions there, Mr. Chairman.

FREIGHT COSTS ON INDIVIDUALLY MAILED PACKAGES IN FISCAL YEAR 1947

On the matter of the individually mailed packages, in the justifications on page H–1 you indicate an estimated shipment of 475,000,000 pounds in the period April 1, 1948, to April 1, 1949, and you indicate that there were 237,500,000 pounds shipped in the fiscal year 1947. What did the freight costs actually amount to with respect to the 237,500,000 pounds shipped in the fiscal year 1947?

Mr. ELLIMAN. 4.4 cents a pound as a general average is what was paid for the ocean freight.

Mr. WIGGLESWORTH. You give us the estimated shipment in the first 12 months of the ERP plan, and you say that the freight costs on that estimated shipment are estimated to amount to $32,000,000.

Mr. ELLIMAN. Sir, I have a statement here, which I think would clear that up, if I may read it to you.

Mr. WIGGLESWORTH. On the individual packages?

Mr. ELLIMAN. Yes, sir.

A request for an appropriation of $32,000,000 has been made to cover the cost of ocean transportation for individual relief packages going to European countries receiving grants under Public Law 472 as authorized in subsection 2 of section 117 (c) of the act.

The Post Office Department statistics for the fiscal year 1947, which were the latest available at the time the estimates were prepared, show that 237,500,000 pounds of relief packages were shipped to the European countries which might become eligible under the terms of this section.

Mr. WIGGLESWORTH. Do you have the dollar value involved in the over-all shipment?

Mr. ELLIMAN. I do not think I have that, sir. Fifty cents a pound was roughly the value.

Mr. WIGGLESWORTH. That would be roughly another $120,000,000 worth of supplies.

Mr. ELLIMAN. Yes, sir.

The Post Office Department estimated that with ocean transportation and terminal charges remitted the volume of parcels would double and that 475,000,000 could be expected to be shipped.

Mr. STEFAN. How many?

Mr. ELLIMAN. 475,000,000 pounds.

Mr. STEFAN. 475,000,000 pounds?

Mr. ELLIMAN. Yes, sir.

Mr. STEFAN. That was the figure in the justifications.

Mr. ELLIMAN. Based on an average ocean freight rate of 6.7 cents a pound for ordinary gift packages the figure of $32,000,000 was arrived at.

Immediately following the passage of the act a series of conferences was held with Post Office officials as to the most practicable method for implementing the program authorized in the act. It was agreed by all concerned that the Post Office Department was the only agency in a position to carry it out without duplication of the facilities and tremendous administrative expense.

In working ut the figure it was further developed that the rate paid by the Post Office for actual ocean transportation was 4.4 cents a pound, a considerable saving over ordinary freight charges, according to rates furnished the Post Office by shipping companies.

The act provides for terminal charges being borne by the recipient country, when the Administrator determines such a procedure practicable.

On the other hand, more recent figures on shipments to these countries in the first quarter of the fiscal year 1948 showed that the volume had increased to a rate 62 percent higher than the fiscal year 1947 without any subsidy resulting in the Post Office Department revising upward to 766,000,000 pounds its estimate of the load expected under a subsidy.

Using the lower Post Office rate of payment for ocean transportation and the revised estimate of volume the cost would be approximately $33,700,000. The additional amount is not being requested at this time, however, as it is possible this volume may not be reached due to improved conditions abroad.

Mr. MAHON. Perhaps you have already given this figure, but I did not hear it. Approximately what percentage of postage saving will a person sending packages overseas receive as a result of this appropriation and the legislation providing for this appropriation?

Mr. ELLIMAN. Somewhere around 50 percent, sir.

Mr. WIGGLESWORTH. What you are saying, if I understand you, is that with respect to the 237,500,000 pounds shipped in the fiscal year 1947 the figures indicated mathematically that the freight costs amounted to 4.4 cents per pound; is that right?

Mr. ELLIMAN. That is what the Post Office paid; yes, sir.

Mr. WIGGLESWORTH. Is it or is it not? I want to get the actual figure if I can get it.

Mr. ELLIMAN. That is correct; yes, sir.

Mr. WIGGLESWORTH. That is the actual figure. It worked out to 4.4 cents a pound and you have applied exactly that same 4.4 cents a pound to the increase in volume which you anticipate in revising the figure for the fiscal year 1948–49?

Mr. ELLIMAN. I think so. I think I understand you, sir, that we are figuring the 4.4-cent-a-pound rate on the 776,000,000 pounds which is expected to be shipped.

Mr. WIGGLESWORTH. Well, your justification says, that is before this recent revision—

During the fiscal year 1947 a total of approximately 237,500,000 pounds

which you say is equal to $120,000,000—

of parcel-post packages were despatched to civilians of the countries involved. Post-office officials believe that substantially all of these packages contained relief items. It is estimated that if ocean freight were free the volume would double. Freight costs on 475,000,000 pounds of such packages—

which is double the experience in 1947, or the equivalent of $238,000,000 worth of supplies—

are estimated at $32,000,000.

That $32,000,000 I assume was arrived at by applying the 4.4 cents a pound to the 475,000,000 pounds which you contemplated shipping when these justifications were prepared?

Mr. ELLIMAN. No, sir; that is not quite correct. The rate was based at 6.7 cents a pound, which was the ocean-freight rate. Now, we did not determine whether or not these parcels would go by Post Office Department shipments or by ocean-freight shipments at the time that estimate was made.

Mr. WIGGLESWORTH. Then I come back to my original question which is what was actually paid with respect to the 237,500,000 pounds shipped in the fiscal year 1947.

Mr. ELLIMAN. The Post Office Department carried those packages at 4.4 cents a pound, as I understand it.

Mr. WIGGLESWORTH. Then why do you apply 6.7 cents a pound to your contemplated shipments in the succeeding year?

Mr. ELLIMAN. Because the ocean-freight transportation is what was being contemplated as being subsidized, and not necessarily the Post Office rate.

Mr. HUFF. But your figures for the proposed shipments are now based on 4.4 cents, not on 6.7.

Mr. ELLIMAN. That is correct.

Mr. WIGGLESWORTH. What does the $32,000,000 represent?

Mr. ELLIMAN. It represents, sir, the expected volume for the year April 1, 1948, to April 1, 1949 at 4.4 cents a pound.

Mr. WIGGLESWORTH. What is that expected volume?

Mr. ELLIMAN. 766,000,000 pounds.

Mr. WIGGLESWORTH. Then your statement in your justifications is misleading, is it not, in stating what it does?

Mr. ELLIMAN. Those were taken from the fiscal year 1947 figures which were the only ones available at that time.

BASIS OF ESTIMATE OF INCREASED SHIPMENTS APRIL 1, 1948 TO APRIL 1, 1949

Mr. WIGGLESWORTH. I understand that although the figure of $32,000,000 that is said to be required in the justifications, was arrived at by applying to the 475,000,000 pounds of shipments a cost of 6.7 cents per pound, the revised estimates indicate that approximately the same sum will be required, but on the basis of 4.4 cents a pound for some 766,000,000 pounds which it is now estimated will be shipped?

Mr. ELLIMAN. That is correct.

Mr. WIGGLESWORTH. How do you arrive at that? You only had 237,500,000 pounds shipped in the fiscal year 1947. What leads you to the conclusion that you are going to have over three times that shipment in the 12-months period April 1, 1948, to April 1, 1949?

Mr. ELLIMAN: Well, sir; the post office people estimate that with this remission of 50 percent that the volume shipped will increase 100 percent, and we have simply doubled the rate at which parcels were being shipped in the first quarter of the fiscal year 1948 to those participating countries.

Mr. WIGGLESWORTH. If you take the rate in the fiscal year 1947 and double it you arrive at 475,000,000 pounds as you did in the justification which is before us.

Mr. ELLIMAN. That is correct.

Mr. WIGGLESWORTH. Now, you have taken instead of the fiscal year 1947 the first 3 months of the fiscal year 1948 and have used that as a yardstick and doubled that.

Mr. ELLIMAN. Yes, sir.

Mr. WIGGLESWORTH. From the over-all standpoint, as I understand it, this means that you anticipate $100,000,000 worth of goods going into the participating countries in the first 12 months of the plan through the volunteer agencies, and in addition you estimate about $380,000,000 worth going in by individual gifts.

Mr. ELLIMAN. Yes, sir.

Mr. WIGGLESWORTH. A total of something under half a billion dollars; $480,000,000 or something like that.

Mr. ELLIMAN. Yes, sir.

MECHANICS OF ISSUING EXPORT LICENSES FOR VOLUNTARY SUPPLIES

Mr. WIGGLESWORTH. Now, to what extent will this $480,000,000 worth of shipments from this country be covered as to commodities. by export licenses?

Mr. ELLIMAN. Of course, the iindividual packages, sir, will have no export licenses. They are simply covered under the postal shipments and under declarations.

Mr. RINGLAND. But the voluntary supplies will be covered by licenses.

Mr. WIGGLESWORTH. As to commodities?

Mr. RINGLAND. Yes, sir.

Mr. WIGGLESWORTH. You made a somewhat general statement a little while ago in respect to these licenses, and I understood from what you said that you have a kind of an over-all license.

Mr. RINGLAND. Yes, sir.

Mr. WIGGLESWORTH. Is the request of any one of these volunteer agencies submitted in terms of commodities so that the Department of Commerce knows what is involved in the shipments, or is it simply a blanket authorization to go ahead and ship so many million dollars worth of relief?

Mr. RINGLAND. No, sir. There is a selected list of commodities which may be shipped under general relief license. There are exceptions to that, however, such as short-supply commodities, or other commodities which require special authorization.

Mr. WIGGLESWORTH. Do those agencies obtain special authorization?

Mr. RINGLAND. Through our committee, if our committee records them and recommends a charge against the allocation for the particular commodity in short supply.

Mr. WIGGLESWORTH. I am talking from the point of view of the Commerce Department's over-all control of export licenses. Do you have a list of what you say can be shipped under the general relief license?

Mr. RINGLAND. Yes, sir; I can explain this in reference to the general relief license provisions.

Mr. WIGGLESWORTH. Please do. What does that show—the commodities and the amount which may be shipped of each?

Mr. RINGLAND. Yes, sir. A general license for voluntary relief shipments, designated RLS and issued by the Department of Commerce, authorizes the exportation of certain commodities for relief purposes by voluntary relief agencies which are recorded with and recommended by the Advisory Committee on Voluntary Foreign Aid. Food, clothing and medical supplies may be shipped under RLS; fats and oils and certain types of durable equipment are excepted—these require specific authorization.

Mr. WIGGLESWORTH. But when you get that general license from the Department of Commerce, is there any mathematical limitation on how much of a given commodity you can ship, or can you use your discretion as to what you send?

Mr. RINGLAND. We try to apportion commodities in short supply among the different agencies.

Mr. WIGGLESWORTH. You do not get my question. Say a given relief agency wants to ship so much of this food commodity, so much of that food commodity, and so much of something else and they are all on this general list you tell us about. Now, the agency goes to the Department of Commerce and applies for an export license and gets a general license to ship commodities on this general list, as I understand it. Is there any quantitative limit set by the Department of Commerce?

Mr. RINGLAND. No, sir; unless the commodity is on the excepted list.

Mr. WIGGLESWORTH. If it is on the general list, it can be shipped without limitation as to quantity?

Mr. RINGLAND. Yes sir, although our Committee, in making recommendation to the Department of Commerce assures itself that the voluntary agency recognized by the Committee is competent to carry on a program in the country to which the shipment is made.

Mr. WIGGLESWORTH. But, so far as the Department of Commerce's export control is concerned, any item appearing on that general list can be shipped under the general license?

Mr. RINGLAND. Yes sir; and so long as the shipper, that is the voluntary agency, is supported by the advisory committee.

Mr. WIGGLESWORTH. Without limitation as to quantity, and the Department of Commerce, therefore, keeps no track quantitatively?

Mr. RINGLAND. Oh, the customs officials have a record of the supplies quantitatively; yes, sir; because these show up in the ship's manifest and other documents.

Mr. WIGGLESWORTH. It shows up in the ship's manifest?

Mr. RINGLAND. Yes, sir.

Mr. WIGGLESWORTH. But not in the application?

Mr. RINGLAND. There is no specific agency application as such under a general relief license. This is a standing license. But the agencies file with us at a record every month of their export ship-

ments as to the commodity, the weight, and the dollar value. That is all reflected in the Committee's reports to the Department of Commerce by agencies, by countries, and by commodities.

Mr. WIGGLESWORTH. You do that after the shipment and not before?

Mr. RINGLAND. Yes, sir, except in the case of commodities in short supply; for these there must be a specific allocation and charge in advance of shipment.

Mr. WIGGLESWORTH. Or coincidental with the shipment and not in connection with the application?

Mr. RINGLAND. The Advisory Committee would not recommend a general license or a special license for short supplies unless the bona fides of the agency in question had been established by the Committee, including the consignees on the other side and the purposes to be served by the shipments. And any new agency applying to Commerce for a relief license would be immediately referred to our Committee before Commerce would issue the license.

Mr. WIGGLESWORTH. What I am interested in is the over-all control of the Department of Commerce, because that, it seems to me, is the main control for the whole program. Whether the plan is successful or whether it has undesirable consequences from the standpoint of America, depends largely, in the last analysis, on the proper exercise of this control by the Department of Commerce.

Mr. RINGLAND. But the Department looks to our committee for the background information as to the responsibility of the shipper and the need for the supplies.

Mr. WIGGLESWORTH. I want to know what information they have and what control they exercise. I think you have covered what I have in mind.

Mr. KEEFE. I would just like to get one thing pinned down here, if I can.

These break-downs shown in your justifications indicate the appropriation request of $32,000,000 is based upon anticipated shipments from April 1, 1948, to April 1, 1949.

Mr. ELLIMAN. Yes, sir.

Mr. KEEFE. And we are in that period now.

Mr. ELLIMAN. Yes, sir.

Mr. KEEFE. Shipments are going forward now in this period of April 1, 1948, to April 1, 1949. We are now in May 1948.

Mr. Elliman. That is right, sir.

Mr. KEEFE. Now, is there any subsidization contemplated retroactively to the Post Office Department?

Mr. ELLIMAN. No, sir; I do not see how that would be possible.

POSSIBILITY OF REDUCING ESTIMATE BECAUSE OF TIME REQUIRED TO INITIATE PROGRAM

Mr. KEEFE. So that this program will not be effective until the regulations are drawn and the determinations made as to the proportion of the transportation charges allocated to ocean freight transportation and the charges at the other end are determined?

Mr. ELLIMAN. That is right, sir.

Mr. KEEFE. Therefore, we have already gone through nearly a month and a half of this program upon which your estimate is based, have we not?

Mr. ELLIMAN. That is correct; yes, sir.

Mr. KEEFE. And you won't be utilizing any of this $32,000,000 for that period, will you?

Mr. ELLIMAN. No, sir. The estimate is $33,700,000.

Mr. KEEFE. Is that reduction of $1,700,000 based upon the fact the program cannot get into operation promptly?

Mr. ELLIMAN. Partly; yes, sir.

Mr. WIGGLESWORTH. A pro rata reduction would be much more than that.

Mr. ELLIMAN. That is right.

Mr. HOFF. It would be $4,500,000 for the 6 weeks.

Mr. STEFAN. And also the fact you do not think they will get up to the 766,000,000 pounds. That is what you testified to a little while ago. You did not bring out the fact that a month and a half had already gone, but you laid it on the fact you cut that $1,500,000 because you did not think they would get up to the 766,000,000 pounds. Is not that right?

Mr. ELLIMAN. That is correct. But one of the reasons they won't get up to it is because of the fact that time has elspsed.

Mr. KEEFE. What is puzzling me is the fact the whole appropriation is based upon a 15 months' estimate.

Mr. ELLIMAN. No, sir; this is for 12 months.

Mr. KEEFE. I understand; but the whole ECA appropriation is based upon a 15 months' estimate. You are not basing this on the fiscal year; you are basing it on April 1, 1948, to April 1, 1949—12 months—while the ECA appropriation is based upon 15 months, is it not?

Mr. CAWLEY. No, sir; it has been converted to 12 months.

Mr. KEEFE. From April 1 to April 1?

Mr. CAWLEY. Yes, sir. That is shown in schedule D–5, where we show the 15 months' estimated obligations and then our conversion to 12 months.

Mr. KEEFE. Then this particular phase of $32,000,000 could be reduced some, could it not?

Mr. ELLIMAN. We said the $33,700,000 estimate could be reduced to the extent regulations have not been issued.

Mr. KEEFE. Certainly. And if it goes along another 30 days before your regulations are in force, your subsidization to the local shippers through the Post Office Department in the lowering of their scheduled rates would not be effective and would reflect a considerable saving, would it not, out of this appropriation?

Mr. ELLIMAN. Yes, sir.

Mr. KEEFE. So that, so far as this particular item of appropriation is concerned, it could be, perhaps, reduced by one-quarter, could it not, assuming you would go along another 30 days before you get these regulations in effect, which would make it 3 months?

Mr. ELLIMAN. We hope to have it in operation before the first quarter is over—the April-May-June quarter.

Mr. WIGGLESWORTH. But you may not. You cannot tell, with these bilateral agreements hanging fire and with the regulations still to be issued.

Mr. ELLIMAN. That is right.

Mr. KEEFE. And if you did not get it in operation by the end of June, then you would have 3 months that you would not have to subsidize the Post Office Department out of this $32,000,000 appropriation. Is not that true?

Mr. ELLIMAN. Yes, sir.

Mr. KEEFE. And the appropriation, in the absence of other considerations, could be reduced by one-quarter, could it not? Do you agree with that?

Mr. ELLIMAN. Yes, sir; it could if there were no other considerations.

Mr. KEEFE. I have no further questions.

MONDAY, MAY 10, 1948.

GUARANTIES OF INVESTMENTS IN ENTERPRISES PRODUCING OR DISTRIBUTING INFORMATIONAL MEDIA

STATEMENT OF J. NOEL MACY, ASSISTANT DIRECTOR, OFFICE OF INTERNATIONAL INFORMATION, DEPARTMENT OF STATE

The CHAIRMAN. The next item is tab I, "Guaranties of Investments in Enterprises Producing or Distributing Informational Media."

I understand we are to hear Mr. J. Noel Macy on that.

What is your position, Mr. Macy?

Mr. MACY. I am Assistant to the Director of the Office of International Information of the Department of State.

The CHAIRMAN. And this particular item comes under your jurisdiction?

Mr. MACY. Yes, sir. I have assembled such figures as do exist as to the requirements of the industry concerned for this foreign exchange, if you would care to have that.

AUTHORITY FOR THE GUARANTIES

The provision for the guaranty itself was inserted in the House version of the bill with the intention of helping to solve the major difficulties of the information media in obtaining dollars for the sale of its products abroad.

The CHAIRMAN. And that is what this is?

Mr. MACY. Yes, sir.

The CHAIRMAN. I did not understand it that way from reading the language.

Mr. MACY. You have to read the language together with the paragraph in the conference report at the top of page 30 where you will see the statement:

> The members of the committee of conference recognize that the nature of the information media industry is such that in many cases the investment to which the guaranty will apply will have been made in the United States and the product of the investment sold or exhibited abroad. In these cases the guaranty might well apply to the convertibility of foreign currencies earned by the sale or exhibition of the products of the industry, to the extent of the dollar cost of production wholly attributable to those specific products.

LIMITATION ON GUARANTY IN INFORMATION MEDIA FIELD

The CHAIRMAN. There seems to be an intimation that this might run to $300,000,000 under paragraph 3.

Mr. MACY. No, sir. Section III (b) 3 is the guaranty for capital investments.

The CHAIRMAN. Well, it sounds pretty big.

Mr. MACY. I think the $300,000,000 provision says that not more than $15,000,000 may be used as a guaranty of investments in the information media field.

The CHAIRMAN. The only thing you are attempting to justify is a figure for the information?

Mr. MACY. The $15,000,000 portion, or the information media portion of it.

The CHAIRMAN. What would that mean?

Mr. MACY. In what respect?

METHOD OF DISTRIBUTING INFORMATION

The CHAIRMAN. Would it mean sending newspapers to those places or setting them up, or distributing magazines or setting them up, or what would it be?

Mr. MACY. It would mean that as to those newspapers, magazines, motion pictures, and books which are now going into those countries, the publishers and producers of those products would be able to convert the foreign currencies which they get from the sale of those products abroad into dollars to the extent of their cost of production of those specific items.

SUBSIDIZATION OF FOREIGN-EXCHANGE REQUIREMENTS

Mr. STEFAN. All you are doing is subsidizing $15,000,000 worth of their exchange.

Mr. MACY. They are paying in foreign exchange——

Mr. STEFAN. But you are subsidizing to the tune of $15,000,000 to change it into dollars?

Mr. MACY. Yes, sir.

Mr. STEFAN. That is what we are doing—guaranteeing their foreign exchange in dollars but not going over $15,000,000 as far as the subsidy is concerned.

Mr. MACY. That is right. I have some figures here showing the foreign exchange requirements of those various media that actually did business in those countries last year.

LIST OF COMPANIES ISSUING MEDIA OF INFORMATION IN VARIOUS CATEGORIES

Mr. STEFAN. You have the names of the motion-picture people, the names of the book people, and the names of the newspapers?

Mr. MACY. We have the names of the magazines and newspapers. The motion-picture figure includes all producers who sold or exhibited films abroad last year.

Motion-picture companies: Loews, Paramount, Fox, RKO, Universal, Warners, Columbia, Monogram, Republic, United Artists, Selznick, and independent producers. Figures furnished by Motion Picture Association.

Newspapers and magazines furnishing figures: Time, Life, Newsweek, Reader's Digest, New York Herald Tribune, for Paris edition, New York Times (occupied areas only), Associated Press (occupied areas only), United Press, International News Service (occupied areas only).

Books: American Textbook Publishers Institute, Inc., American Book Publishers Council, Inc., Association of American University Presses.

Mr. STEFAN. How many are there? Why could not we have a break-down of every organization to be subsidized there? There won't be so many of them, will there, and you have the names of the different newspapers?

Mr. MACY. There are some 80-odd book publishers, for example, and they do not know themselves, publisher by publisher, what books they sent abroad. We have to take the Department of Commerce over-all figure for that.

Mr. STEFAN. But that would not be true in motion pictures or magazines.

Mr. MACY. We can get the motion pictures by companies, and we can get the magazines by companies.

Mr. STEFAN. I think that ought to be in the record.

(The following was submitted later:)

The CHAIRMAN. This means that any picture that goes into those countries would be guaranteed?

Mr. MACY. Yes, sir.

The CHAIRMAN. It does not make any difference what it is?

Mr. MACY. No, sir.

Mr. NITZE. Except that it is subject to the rules and regulations of the Administrator.

Mr. MACY. And in terms of the whole thing, by concurrence of the other country.

The CHAIRMAN. It also means you can guarantee up to $15,000,000 over-all, all of these shipments in there that these people might make?

Mr. MACY. Provided that in each case it represents only the actual dollar cost of the particular book or motion picture or magazine involved.

The CHAIRMAN. Do you have a break-down of what you expect to do with this money?

Mr. MACY. No, sir. That will depend upon the regulations the Administrator sets down and the concurrence of the countries. We have a break-down by medium of the requirements which they would have had last year as a result of the business they did last year, which amounts to approximately $20,500,000.

FORM OF GUARANTY

The CHAIRMAN. Is this guaranty a cumulative limitation? It is, is it not; that is, it is not a revolving authorization but guarantees expenditures after they are made and fulfilled, does it not?

Mr. MACY. Yes, sir.

The CHAIRMAN. Regardless of whether you have spent any money for that purpose or not?

Mr. MACY. I would think so.

The CHAIRMAN. And the guarantees evaporate after that?

Mr. MACY. Yes, sir.

Mr. KEEFE. After 14 years, it says in the law, does it not?

Mr. NITZE. The law provides that the term of the guarantee cannot be for more than 14 years, but that simply applies to the rest of the guarantee provision which is contemplated with respect to long-term capital investment programs.

The CHAIRMAN. But that has nothing to do with this particular set-up, has it?

Mr. NITZE. No.

The CHAIRMAN. That is an item other than what we are considering; that is the long-term capital investment item?

Mr. NITZE. This $15,000,000 item was not included in the original executive branch proposal to Congress; this was inserted by the House and the Senate in the bill within the general guarantee provision which had been proposed by the Executive Branch. Congress put a limit of $15,000,000 on the amount of guarantees that might be issued for this purpose within the first year of the program.

Mr. CAWLEY. This falls within the over-all provision that guaranties shall terminate not later than 14 years from the date of the enactment of this act.

Mr. KEEFE. This $15,000,000 is part of the whole program?

Mr. CAWLEY. Yes, sir.

The CHAIRMAN. You mean it can run for 14 years?

Mr. KEEFE. That is what it says—

Provided, That the amount of such guaranties in the first year after the date of the enactment of this act does not exceed $15,000,000, which guaranties shall terminate not later than 14 years from the date of enactment of this act.

That would seem to put the $15,000,000 provided for the issue presently before us within the provision for guarantees to continue not to exceed 14 years.

Mr. NITZE. That is correct, sir.

The CHAIRMAN. That means a contract may be made for the carrying of these things into these countries for 14 years?

Mr. NITZE. No, sir. We believe that the intent was——

The CHAIRMAN. We would have loose ends to pick up on it for 14 years?

Mr. NITZE. Let us take the case of an American company that wants to build a large manufacturing installation in a foreign country, let us say in France, and let us say a cement mill——

The CHAIRMAN. This 14-year limitation in here does not apply to that.

Mr. NITZE. I believe it does.

The CHAIRMAN. Not in this language here on page 10. That only relates to this item 3; it does not cover the whole volume of guarantees; it just limits the first year's guarantees to $15,000,000, and it limits the paragraph 3 to 14 years.

Now, there may be another limitation of 14 years somewhere else.

Mr. NITZE. Mr. Chairman, you will notice the parentheses which start up toward the top of that section include the guarantees of investments, and so forth, and after the $15,000,000 there is the end of the parentheses. So it is only the matter within the parentheses which relates to the $15,000,000, while the remainder of the sentence relates to the entire guarantee provision.

The CHAIRMAN. No; it only relates to paragraph 3.

Mr. NITZE. Paragraph 3 covers more than just the $15,000,000.

The CHAIRMAN. That is right; it includes everything.

Mr. NITZE. Yes.

Mr. KEEFE. Those parentheses limit it to the information media the first year, but the paragraph itself covers the whole thing?

Mr. NITZE. That is correct, sir.

Mr. KEEFE. So, if Mr. Nitze were to follow through the illustration he has in mind of an American company that wanted to make an investment in a plant in France, this title III which we are referring to would cover such an investment insofar as we virtually guarantee in dollars the purchase of foreign exchange. That is what it amounts to, does it not?

Mr. NITZE. That is correct.

Mr. KEEFE. And the United States Government gets the foreign exchange and gives dollars to the investor company in France?

Mr. NITZE. That is correct.

Mr. KEEFE. But, so far as the production or distribution of information media is concerned, the total amount of the guarantee is limited to $15,000,000 in the first year?

Mr. NITZE. That is correct.

Mr. KEEFE. And that $15,000,000 is part of the over-all program which is limited to $300,000,000?

Mr. NITZE. That is correct.

Mr. KEEFE. And will continue for a period of 14 years?

Mr. NITZE. The guarantees made pursuant to this provision.

Mr. KEEFE. The guaranteees made pursuant to this provision carry on for 14 years?

Mr. NITZE. That is correct.

BASIS OF ESTIMATE

Mr. WIGGLESWORTH. How do we know they need $15,000,000 in the first year?

Mr. MACY. Last year, not counting $17,000,000 which the motion picture industry got from Great Britain, their requirements were $21,000,000.

Mr. WIGGLESWORTH. How do we know that? Is that what the last paragraph in the justification tries to say?

Mr. MACY. Yes, sir. I have a break-down here, medium by medium and country by country, if you would care to have it.

LIMITATION OF GUARANTEE TO DOLLAR COST WHOLLY ATTRIBUTABLE TO SPECIFIC PRODUCTS

Mr. WIGGLESWORTH. I do not understand the last paragraph at all. I do not know what the dollar cost of motion pictures exhibited in the 16 participating countries has to do with the guarantee of exchange.

Mr. MACY. The guarantee under the terms of the conference report is limited to the dollar cost wholly attributable to the specific product. In other words, in the case of motion pictures, in this instance, if they sent a print for exhibition in France, the convertible guarantee is confined to their dollar cost of that particular print—not the original production or anything else. It is the dollar cost to which they were put by virtue of that specific print being available for exhibit in France—a cost to which they would not have been put if that particular print had not gone to France.

Mr. WIGGLESWORTH. Supposing the picture was not prepared specifically for France, but had been shown all over this country, we will say, and then it was decided to send it to France and see what could be earned on it there; surely this guarantee would not contemplate reimbursing for the cost of the picture, would it?

Mr. MACY. The only cost they would have in that case would be the actual raw stock on which the picture was printed, the raw film stock.

Mr. STEFAN. They get the regular exhibit charge on it, however. It does not matter what the cost of the film is. They get the regular exhibit charge there.

Mr. MACY. They will collect more than that guarantee. The guarantee is limited to the cost of the raw stock of the film. They do not get any conversion on the other costs at all. This $4,500,000 represents about 10 percent of their foreign currency income.

Mr. WIGGLESWORTH. It says the cost of the motion pictures exhibited.

Mr. MACY. That is right—the dollar cost.

Mr. NITZE. Probably it should have said the incidental cost of the motion pictures, the additional cost over the cost they would have had, anyway.

Mr. MACY. That is right—wholly attributable to the exhibiting of those films.

Mr. WIGGLESWORTH. My impression of the guaranty was it would guarantee conversion into dollars of any francs realized from the showing of that picture in France, we will say.

Mr. MACY. To the extent of the dollar cost of that particular picture wholly attributable to that particular print.

SCOPE OF GUARANTEE

Mr. WIGGLESWORTH. Will you explain just what this guaranty is intended to cover in terms of motion pictures, books, magazines, and newspapers?

Mr. MACY. In terms of all three, it is intended to cover the convertibility of that portion of their foreign currency earnings in an amount equal to their dollar cost of producing those specific products and wholly attributable to the production of those specific products.

Mr. WIGGLESWORTH. Insofar as that production is essential for the use abroad?

Mr. MACY. Under such regulations and determinations as the Administrator may make.

Mr. WIGGLESWORTH. In other words, the cost of the moving picture which had been shown in this country and which was not designed specifically for use in Europe would not be a factor in the guaranty?

Mr. MACY. Except if they had to make 50 extra prints of that picture and then subtitle them in the foreign language, the dollar cost of the raw film stock on which those printed were made and the dollar cost of subtitling them in the foreign language and the dollar cost of the Americans supervising the distribution system in that country—to that extent only would the earnings of the picture in the foreign currency be convertible into dollars.

BREAK-DOWN OF ESTIMATED COSTS BY MEDIA AND BY COUNTRIES

Mr. WIGGLESWORTH. What are you going to give us for the record to justify the $15,000,000 required for the first year of the plan?

Mr. MACY. I have here a break-down of each of the different media, a break-down by media and by countries, together with an explanation of the figures.

Mr. KEEFE. That Mopix is motion pictures, I take it?

Mr. MACY. Yes, sir.

Mr. WIGGLESWORTH. Without objection, we will include both the table and explanation in the record at this point.

(The matter above referred to is as follows:)

	Austria	Belgium	Denmark	France	Germany	Greece	Iceland	Ireland	Italy
Books (1947 estimate) (Com 40 percent)	120,000	586,185	520,722	759,980	300,000	96,297	10,832	126,822	82,418
Mopix	12,388	498,546	302,642	1,231,189	116,628	206,607	(1)		740,370
Newspapers, magazines, and press assignments	464,800	37,210	63,910	720,479	2,594,289	49,857	7,300	31,767	386,359
Total	597,188	1,121,941	887,274	2,711,648	3,010,917	352,761	18,132	158,589	1,209,147

	Luxemburg	Netherlands	Norway	Portugal	Sweden	Switzerland	Turkey	United Kingdom	Total
Books (1947 estimate) (Com 40 percent)		644,072	228,022	46,142	387,105	345,455	61,155	6,018,422	10,553,629
Mopix	(2)	205,001	257,320	175,959	498,546	257,320			4,502,516
Newspapers, magazines, and press associations	1,263	143,725	58,050	9,779	24,289	33,506	7,164	1,168,454	5,802,201
Total	1,263	992,798	543,392	331,880	909,940	636,281	68,319	7,186,876	20,858,346

[1] Denmark.
[2] Belgium.

	Colonies		
	Morocco	Algeria	Eritrea
Books			
Mopix			15,900
Newspapers, etc	15,530	39,391	

Provision for a guarantee of not more than $15,000,000 of investments in enterprises producing or distributing information media was inserted in the House version of the bill with the intention of helping to solve the major difficulties of the information media industry in obtaining dollars for the sale of its products abroad.

The requirements for dollar exchange in the 16 countries covered by the ECA program, as supplied to the Department of State by the publishers and producers most concerned, are listed in the attached tabulation. These figures total $20,858,346. The following comments on this data, by media, will help to clarify them.

1. *Books.*—These figures represent the estimated export of books to these countries in 1947. The figures are arrived at by taking the Department of Commerce export figure and considering it to be 40 percent of the total. Members of the industry point out that the Department of Commerce figure takes into account only shipments not sent through the mails, and shipments of over $25 value each. The industry estimates that mail shipments, and orders of less than $25 in value are 2½ times the value of the Department of Commerce figure. In the last quarter of 1947 the dollar exchange available for the purchase of books was materially reduced so that the exports for 1948 could be expected to be considerably below

those for 1947. On the other hand, our Foreign Service establishments abroad are receiving an increasing number of pleas for assistance which will enable libraries and other educational institutions to purchase American technical, scientific, and professional journals and books.

2. *Motion pictures.*—The figures on motion pictures represent the dollar cost for raw stock, dubbing and distribution supervision to which the motion-picture producers were put in the distribution of prints of their pictures in these countries last year, and for which they received foreign currencies they were unable to convert into dollars with which to pay these costs. It will be noted that there is no figure given for the United Kingdom since the producers made an agreement with that Government which will allow them $17,000,000 in dollars out of the revenue they receive from the exhibition of their pictures in Great Britain. It is conservatively estimated that, for the countries for which figures appear on the table, there is a weekly audience of over 35,000,000 people viewing American motion pictures.

3. *Newspapers and magazines.*—These figures represent the wholesale sales price of the copies which one newspaper and six magazine publishers estimate they could sell in these countries if the foreign exchange were available. It also includes an estimate of the dollar cost of the three press associations in serving the German newspapers. They now receive only unconvertible marks for this service. Complete statistics on all the magazine circulating in this are are not available. However, the magazine publishers who have supplied the figures of their dollar exchange requirements estimate that they would sell over 600,000 copies per issue of English language publications and almost 2,000,000 copies per issue in foreign languages were the dollar exchange shown in the table available to them.

OBJECT OF GUARANTIES

Mr. MAHON. Is the object of this program to facilitate the dissemination of information from America which more or less represents the American point of view; that is, this program will make it possible for newspapers, magazines, and motion pictures to circulate in those 16 European countries to a greater extent than otherwise would be possible?

Mr. MACY. Yes. It will enable them to distribute through normal commercial channels to meet the existing and present demand which they cannot now meet because they cannot get dollars to meet the dollar cost of the product that they sell to meet the demand.

Mr. MAHON. Will this program mean any specific profits for American publishers and motion-picture people in this country over what they normally would expect?

Mr. MACY. No; it simply will mean that they won't be out of pocket as they now are.

Mr. MAHON. If they are out of pocket, why do they continue in the business?

Mr. MACY. I think they have been optimistic and hoping conditions would change and they would then be able to supply the market.

Mr. MAHON. If we did nothing about this appropriation, do you think they would continue to be optimistic and would continue to supply the people of Europe with these things?

Mr. MACY. In the last 6 months, they have been talking much more pessimistically, and they indicated in many cases, certainly in many countries, they would have to stop the distribution because they cannot stand the financial drain.

Mr. MAHON. Do you mean they are the people who have a lot of circulation of periodicals and show a loss?

Mr. MACY. Yes. They have an out-of-pocket loss in dollars, and they have accumulated some foreign currency which they cannot do anything with.

Mr. MAHON. Of course, if there was something in those countries they wanted to purchase they would be in a safe condition, but to accumulate a lot of this currency when there is nothing they can spend it for profitably eventually they would be on dangerous ground; there would be uncertainty as to the currency in western Europe.

Mr. MACY. Some of the countries will not allow them to accumulate foreign currency any more in certain cases. In Italy, one or two magazines are restricting their sales to the number of lira they can themselves expend for reporters and editorial offices in Italy because they cannot convert the lira into dollars.

Mr. MAHON. You can go about the cities in Europe and find numerous American publications, magazines, and what not for sale.

Mr. MACY. Yes.

Mr. MAHON. That is a thing you want to see continued that this program will expedite?

Mr. MACY. Yes.

DISCUSSION OF GUARANTIES TO MOTION-PICTURE COMPANIES

Mr. MAHON. I would like for you to explain for the record a little more the operation concerning motion pictures.

Mr. MACY. The motion pictures are distributed in Europe on two bases: in certain countries which do not have a state monopoly on exhibiting films, they operate independently, as companies; they come in in the normal means and they show their films and receive foreign currency. That currency in many cases cannot be translated into dollars, and therefore they are out actual dollars to pay the American supervisors and others. They receive a certain amount of foreign currency, in those countries, but the currency cannot be translated into dollars.

Mr. MAHON. Would this have anything to do with the American films for the United Kingdom?

Mr. MACY. No; it would not, because you will find that is left out of this tabulation, because they have made a deal with the United Kingdom for $17,000,000; in other words, they will receive pounds in the United Kingdom and the United Kingdom allows them to change the $17,000,000 worth of pounds into dollars. This would do the same thing in other countries where they have not made the deals for themselves as in the United Kingdom.

Mr. CAWLEY. May I introduce at this point, Mr. Chairman, Mr. James M. Cleary, head of the information activities in the ECA. Mr. Cleary has had over 40 years of experience in newspaper and publication work. After he gets his organization completed this guarantee of information media will be under his direction and supervision.

GUARANTIES FOR EXCHANGE ON BOOKS

The CHAIRMAN. Mr. Macy, this book item involving some $10,000,000 estimated here for these different countries involves what?

Mr. MACY. That figure was arrived at by taking the Department of Commerce figures of the exports to those countries in 1947.

The CHAIRMAN. That is, exports which they paid for?

Mr. MACY. Yes; they paid for; I believe in the case of Germany the Army might have bought the books—and I am not just exactly

clear how the Department of Commerce arrived at those figures—but they are the published export figures.

The CHAIRMAN. It showed $6,000,000 of books to the United Kingdom?

Mr. MACY. Yes.

The CHAIRMAN. Why would it be desirable for us to guarantee publishers of books that went to the United Kingdom, or to Belgium, to Denmark, to Germany, to the Netherlands, to Norway, Portugal, Sweden, or Switzerland, for exchange on those books?

Mr. MACY. The problem there is particularly one with relation to the universities and libraries, and so on, which need books and need American books, technical books, and scientific and professional books for use in teaching to fill up their gap in their own libraries, books which they are unable to get, because of the inability to get from their own government dollar exchange with which to purchasse the books.

The CHAIRMAN. You have down here a tremendous amount: $6,000,000 for the United Kingdom, and with the exchange in the past it means about one and one-half million—that is the over-all figure on the guarantee—to exchange in the open market, which is selling at about 2.5 to 2.75. In other words, it would mean about 2.5 million dollars on that one item.

Then you have down here for France $759,000; Netherlands, $644,000; Denmark, $520,000; Belgium, $586,000; Switzerland, $345,000. There would be no occasion for guaranteeing it there, would it?

Mr. MACY. No, not for Switzerland.

Mr. WIGGLESWORTH. What kind of books are these?

Mr. MACY. Those are merely totals. That is a figure arrived at by taking the Department of Commerce export figures on all books and then increasing it by two and one-half times, because the publishers themselves say that the information in the Department of Commerce figures relates only to shipment by freight of over $25 value, they estimate, that shipments by mail, and the individual single or two copies of book shipments represent (together with the freight shipments) a total value of two and one-half times the Department of Commerce figures.

Mr. WIGGLESWORTH. This guarantee I thought was put in with a view to helping in the informational work thought desirable in these countries. Now if we are going to pay for the cost of every book of every description that goes into any one of these 16 countries for any purpose, it goes away beyond that, does it not?

Mr. MACY. I do not think this proposes that could be done; but these are the only figures which are available upon which to estimate the potential, figures based on the Department of Commerce export figures.

Mr. WIGGLESWORTH. It is pretty meaningless then?

Mr. MACY. It is merely an estimate.

Mr. WIGGLESWORTH. If I understand the purpose of the guaranty——

Mr. MACY. It is merely an estimate of the potential of how much might be required.

Now when it comes down to the actual operation under this provision the Administrator will determine whether or not this book is of a type, for instance, to warrant the support or not. But we have

no way of determining that in advance and we had to take merely the total export book figures.

Mr. WIGGLESWORTH. It does not seem to me to be worth very much, so far as books are concerned.

Mr. MACY. It may not be, but unfortunately not a single book publisher in this country can tell us what titles were exported last year or how much of their total product was exported, or even the type of books, scientific versus fiction.

The CHAIRMAN. You mean they do not know how much they exported?

Mr. MACY. No; they sell to jobbers and the jobber may export or he may not, and the jobber does not appear to know.

The CHAIRMAN. The jobber does not keep track of where the books come from?

Mr. MACY. Apparently not. The jobbers and the book publishers association have been trying for 5 months to get together figures and this is what they come up with.

The CHAIRMAN. And this is nebulous.

Mr. MACY. As far as the books are concerned I am afraid it is a nebulous figure.

The CHAIRMAN. What about the Com 40 percent; what does that mean?

Mr. MACY. That means the basis of this figure, the Department of Commerce export figures is 40 percent of this figure—it is an arbitrary multiplication by two and one-half times.

MOTION PICTURE COSTS TO BE GUARANTEED

The CHAIRMAN. What does Mopix mean?

Mr. MACY. Motion pictures.

The CHAIRMAN. This covers all motion pictures that they used in 1947; is that it?

Mr. MACY. Yes; this is the dollar cost, of those pictures, directly attributable to the particular prints.

The CHAIRMAN. Why would they be guaranteed?

Mr. MACY. Again, for the informational purpose, that in the picture themselves is given a picture of American life.

The CHAIRMAN. For instance, I see a motion picture now and then, about once a month, and about two-thirds of those I see would not have any effect on the promotion of anything that we are trying to do through the ECA. It may be, once in a while, there might be something, but it sounds kind of ephemeral.

Mr. MACY. Again, the Administrator, of course, does not have to give assistance to every motion picture. This is an estimate. On the other hand, we have to rely on the so-called playing time of the screen, which is set out, say, for American films to allow 40 percent of the time.

The CHAIRMAN. This is not sufficient to allow for the language-picture changes; the amount is not big enough to provide for translating and rendering the play in the local language.

Mr. MACY. Yes, that is covered.

The CHAIRMAN. There is nothing in there for the United Kingdom or for Ireland.

Mr. MACY. That is correct, because in the case of the United Kingdom and Ireland the motion picture producers made a deal with the Government themselves whereby they could get $17,000,000 of their pound receipts exchanged into dollars, and therefore, the figures there do not include that.

The CHAIRMAN. I am wondering how you can get any very substantial motion picture advantage; the only ones who would be interested, in the case of these movies, would be the very small percentage of people who understand English, and the visiting Americans.

Mr. MACY. Most of these are dubbed, that is, there is a subtitle change into the foreign language, occasionally in the sound track into the foreign language. And as far as the dollar cost is concerned, that is the only real cost in this figure. In other words, that represents almost the total of this figure. The motion picture producers get nothing for the original products, for the general overhead of the company, or anything of that sort.

This figure represents the dollar cost of making the language version available, and the dollar cost of the supervising and distribution in that country. They have a certain number of Americans to supervise the distribution outlets.

The CHAIRMAN. You mean the motion picture concern get none of this?

Mr. MACY. They get nothing whatsoever except the actual dollars which they put out.

The CHAIRMAN. For translation?

Mr. MACY. For the translation into the foreign language.

The CHAIRMAN. The voice run of it into foreign language?

Mr. MACY. They sometimes, instead of changing the voice, insert some subtitles in the foreign language and leave the voice run in English. It depends upon the different countries and the different films upon what is done.

GUARANTIES FOR EXCHANGE ON NEWSPAPERS

The CHAIRMAN. Under the newspaper item you have 5.8 million dollars. What is there that we should be doing that requires 5.8 million dollars?

Mr. MACY. Here is an outstanding one, an item of some $827,000, which represents the dollars the Paris Herald could get if the marks which they receive by the sale of some 75,000 copies per day in Germany were converted into dollars. They now have a demand for 75,000 copies a day of the Paris Herald in Germany. They cannot afford to meet that demand because they would get marks for it. On the other hand they have to pay in dollars for the white paper on which the paper is printed.

The CHAIRMAN. You say there is a demand for 75,000 copies?

Mr. MACY. 75,000 copies a day, yes.

The CHAIRMAN. And that would come to how much?

Mr. MACY. $827,000.

The CHAIRMAN. That is the biggest part of the German item you have down here?

Mr. MACY. That is the major portion of the German item, yes.

The CHAIRMAN. You mean that there would not be any salvage of any kind from the currency involved?

Mr. MACY. I do not quite understand your question.

The CHAIRMAN. You mean there would not be any salvage out of the currency; that it would be a total loss?

Mr. MACY. The Government would get in return the blocked marks.

The CHAIRMAN. You have 2.6 million dollars set down here for Germany, if I read these figures right?

Mr. MACY. Yes.

The CHAIRMAN. That would seem to be a lot of money for that purpose.

Mr. MACY. That is made up also of $110,000 for the New York Times, which estimates they can sell 20,000 copies of their Sunday-weekly overseas edition, which is the editorial section of the Sunday New York Times, essentially.

Again, they would receive blocked marks and convert those marks into dollars. There is about $1,000,000 in here for the three press associations, who up to the present time have been serving the German newspapers but getting nothing but blocked marks, which do not help them to meet their pay roll.

Mr. WIGGLESWORTH. How about the $1,186,000 to the United Kingdom?

Mr. MACY. That is made up of $663,000 for Life Magazine; $129,000 for Newsweek; and $330,000 for Time.

Mr. WIGGLESWORTH. All of which are going there, and have been going there?

Mr. MACY. No; that is what they estimate; they are, I think, circulating about one-third of that figure now, and that is what they estimate they could circulate if they could get the money exchange.

Time and Newsweek have been practically cut down, or cut out, in terms of exchange to what they could operate on in francs.

Life has been getting dollars and that has been cut down, I think, entirely in terms of subscriptions.

The CHAIRMAN. You have down here $464,000 for Austria. There are only a very few people that they could reach, maybe 2 or 3 million.

Mr. MACY. Again that represents $150,000 for the Paris Herald.

The CHAIRMAN. That is what they might have done in 1947, before things were so tight and they got behind the curtain?

Mr. MACY. That represents what they could sell——

The CHAIRMAN. What they could have sold in 1947?

Mr. MACY. Yes.

The CHAIRMAN. Before the curtain tie up?

Mr. MACY. Yes.

The CHAIRMAN. Is Germany on the same basis?

Mr. MACY. Yes. This is only the American zone in Germany. And the same thing is true in Austria.

The CHAIRMAN. The same thing is true of Austria?

Mr. MACY. Yes.

The CHAIRMAN. They could not sell any such amount as that, could they, in the American zone?

Mr. MACY. That represents roughly one-eighth of the 75,000 or about 10,000 copies a day, and it is quite possible, I believe, they could sell that number, because of the tremendous vacuum in reading materials in the occupied areas. I think under normal conditions, if the German newspapers had enough newsprint of their own that the sales might fall off, but there is such a vacuum of reading material that I think this amount can be sold.

Mr. WIGGLESWORTH. Does that mean the American zone or does it mean bizone?

Mr. MACY. The bizone. I imagine in Germany the 75,000 answer applies to the American zone, because the offer was made before the creation of the bizone.

The CHAIRMAN. You have down here $750,000 for France. That is where they operate this paper from here, that is, where they do the printing, and is that where the cost comes in, or just how is it arrived at?

Mr. MACY. $100,000 of that is for Life, which is printed completely over here and snipped abroad.

And about $200,000 is for the French edition of the Readers Digest, and represents only the white paper involved in printing that edition, which has a circulation of approximately a million. This represents merely the white paper.

The CHAIRMAN. Is that printed over here?

Mr. MACY. No; that is printed in France. The Reader's Digest, foreign language edition, is printed in France, but they have to pay for and buy over here the white paper on which it is printed

The CHAIRMAN. They cannot buy white paper over there?

Mr. MACY. No.

The CHAIRMAN. Do they not make any paper themselves?

Mr. MACY. Yes; and they are exporting 11,000 tons to this country this year. They are exporting to get dollars.

The CHAIRMAN. This looks like a peculiar approach.

Mr. MACY. This is an American company which was producing the Reader's Digest in French and purchasing American newsprint on which to print it, and needs enough francs converted into dollars to buy the newsprint.

The CHAIRMAN. It seems to me they ought to begin buying and printing over there just as quickly as they could; that should be promoted rather than trying to have us do it in such a way as this.

Why would Italy need all of that help?

Mr. MACY. Italy, $90,000, is for Life Magazine; and $105,000 for the Italian-language edition of the Reader's Digest which they are about to start.

The CHAIRMAN. What else?

Mr. MACY. And $36,000 for Time, and $71,000 for Newsweek.

The CHAIRMAN. Does much of this go into the Rome paper?

Mr. MACY. They have not submitted any figures to us. These figures are merely the figures for these six publications that have been submitted to us. I do not know what the list of publishers might be who would come in and ask for assistance, but I imagine there may be some. For instance, I already have received an application from Omnibook, which condenses into a single issue two or three books.

And I have already received an application for the Catholic Digest for printing in German.

Mr. WIGGLESWORTH. It strikes me that the table you present indicates that a third or more of the total will be spent in the United Kingdom, which I should think would be the last place where we need this program.

Mr. MACY. The Administrator might decide, if an application of this type of assistance were filed for the United Kingdom, that it was not in the interest and would not grant the application.

Mr. WIGGLESWORTH. Assuming you are going to put up $15,000,000 into books it would seem all out of reason to me to send $5,000,000 of those to Great Britain.

Mr. MACY. This is merely an indication of the demand and not a proposal of how it should be spent.

PURPOSE AND OPERATION OF GUARANTIES AGAINST EXCHANGE LOSSES ON INVESTMENT

Mr. KEEFE. Mr. Chairman, I confess some difficulty on my part in understanding the philosophy of this program. We are dealing a recovery program and a reconstruction program for these 16 participating countries. This seems to be a little different than the concept that I had of this program up to date, so far as books, publications, and magazines are concerned, and it seems that the guaranty of investment in enterprising activity and distribution of informational media are a part of an over-all guaranty of investments of $300,000,000 provided for in the act, of which not to exceed $15,000,000 would be in the field which we are now discussing.

Those guarantees are to terminate not later than 14 years from the enactment of the act. I have not had a chance to study this to any great extent, and I would like to understand just what is meant. Let us take an actual case of the Reader's Digest or of Life magazine or some other magazine that is publishing a European edition in Italian, French, German, and so on: They may publish those editions in this country or publish them over there; is that correct?

Mr. MACY. Yes, either way.

Mr. KEEFE. And they may get the newsprint over there, if they can. They receive their pay from their advertisers over in local currency. I suppose if they have advertisers engaged in international trade in this country they could get their pay from such advertisements in dollars?

Mr. MACY. In most cases.

Mr. KEEFE. In most cases.

Mr. MACY. Many of them, that is, the American parent concern will have a subsidiary in Europe and the advertising will be for account of the subsidiary; they will insist upon paying in foreign currency, for the subsidiary's account, but I think it could finally be done in dollars.

Mr. KEEFE. Then what this program proposes to do is to stabilize conditions, due to unsettled affairs, in the currency of the participating countries, and we are offering or proposing to convert the local currency into dollars to protect the investment of the Americans concerned.

Mr. MACY. Yes.

Mr. KEEFE. Insofar as the publication is concerned, in the utilization of services, matériel, rental space, and so on in the country over there; that could be acquired by the concern using local currency, could it not?

Mr. MACY. No guarantee would run to that. The guarantee of convertibility applies only to the dollar costs. Now in the case of say the Time magazine, which is printed in France, the only portion of the franc income of the Time Magazine that is guaranteed to be converted is that portion equivalent to the dollar expense of its white paper, possibly cable carges, and that sort of thing, but on no other income, franc income, is the guarantee of convertibility.

Mr. KEEFE. Why should that continue for 14 years?

Mr. NITZE. I do not believe that the rules and regulations adopted by the Administrator, with respect to this item——

Mr. KEEFE (interposing). The basic answer, of course, is in the law, but I am asking what the reason for it is.

Mr. NITZE. The rules and regulations would be prescribed by the Administrator, as provided in the law. And the reason why that time limit of 14 years was provided in the law is that this provision covers a more general situation of other investment media; it covers industrial development by private American enterprise which might require 14 years.

Mr. KEEFE. Might require 14 years to write it off?

Mr. NITZE. That is correct.

Mr. KEEFE. Will this most necessary program be hooked up with the information program to sell America to the participating countries, otherwise what conceivable construction would it have as to the participating countries themselves?

Mr. MACY. In the scientific, technical, and professional journals and books, and I think engineering and all that kind, I believe it can very properly be said to be contributing materially to the economic recovery.

Mr. KEEFE. What about magazines like the Reader's Digest, for which you have down here a considerable sum?

Mr. MACY. I think it was the belief and intention of the Congressman who put that provision in the bill, that it was a way of telling the American story abroad.

Mr. KEEFE. Separately and distinct from the Voice of America in its program?

Mr. MACY. Yes.

Mr. KEEFE. This would be a further subsidization of that program, to that extent, would it not?

Mr. MACY. Yes.

Mr. KEEFE. I confess that I am somewhat confused about this whole situation. I just cannot seem to get it.

Mr. NITZE. May I say just a few words about the guarantee provision of the act?

Mr. KEEFE. Yes. I have read the law, and I understand what the law says, but I am thinking now of its application to the situation, how this fits into the proposed reconstruction program Europe, which is envisioned in this program; or whether this particular part of it is a provision for the promotion of American investment of capital in these various countries, with the guarantee that the proceeds from the operations over there can be converted into dollars, assuring the success of American firms, up to the $300,000,000 limitation.

Mr. NITZE. If I may be permitted to say just a few words concerning this particular provision of the act: It was suggested by the executive branch to Congress with the thought in mind that contribution to the European economy and recovery program could be made by American private industry with the minimum of interference of either the United States Government or of the foreign government involved as being the most hopeful way the European recovery program could be attained.

The main reason why we could not rely to a great degree on unaided effort of American industry was because with long-term capital

the situation was such that these concerns in America would not be able to make investments getting returns in local currency, and take a chance on being able to get it converted into dollars.

Mr. KEEFE. So as to put the earnings into the coffers of the parent company in this country, in the form of dollars.

Mr. NITZE. That is right. And no American company would want to go into a foreign country and propose to spend American dollars for a development program abroad which might enable it to earn money in terms of the local currency abroad, if there were no way provided by which eventually they could convert that local currency into dollars.

It was not thought that American industry would go into foreign countries unless there was considerable assurance of success of operation, with reasonable prospect of making it a successful venture, and with substantial earnings. But generally American industry, when it considers a foreign investment, considers first of all the question of the recovery in dollars of the dollar investment which they make.

And this provision merely offers to guarantee that, up to the amount of the dollars which they invest, and nothing beyond that point they would be assured they could convert their earnings, or amortization, or other returns in local currency back into dollars.

Now once the money they have invested originally in the operation is recovered the guaranty provision, as to conversion of local currency into dollars, is finished, and they are on their own.

Mr. KEEFE. Suppose an American concern, operating in this country, desires to invade a foreign field and establish a subsidiary, let us say, in France, and takes American dollars, which are in turn converted into local expenditures of French francs, at the assumed rate of exchange, fixed by the French Government, which may or may not be the black-market rate, but at some fixed rate of exchange, or the actual rate of exchange; then they take the francs and buy a piece of property and put up a building, paying for the materials in francs, and finally they get the plant into operation, all of the time paying their employees in francs, which represents the original investment of American dollars. That business has required the utilization of dollars, to be converted into francs, to carry out the operation under the law. Now let us assume that it is not successful and they have to keep pouring in American dollars.

Now, am I correct in the assumption that all of this guaranty does is to say to that company, "We will guarantee that you will be able to convert that into dollars which you have accumulated as the result of that operation, giving you credit in the transaction for amortization, and so on, for the plant which you built"? Is that what is meant?

Mr. NITZE. There are two pertinent limitations. The first one is, that the guaranty cannot exceed the amount of dollars expended which have been approved by both the foreign government involved and by the Administrator, as making a contribution to the European economic recovery program. In other words, the project has to be one which the Administrator and the foreign government involved believe contributes to the European recovery, in the country where the dollars are spent. If, for example, it turns out to be a losing proposition there would be no additional guaranty.

Mr. KEEFE. Let us take the situation of a magazine like the Reader's Digest, which I am advised publishes various editions

throughout the world, and has been in operation for some time. I presume it has an English edition, published in England, and French edition published in France.

Mr. MACY. Yes.

Mr. KEEFE. And it has been doing that for some time; and I assume they have one published in Italian.

Mr. MACY. They are about to have.

Mr. KEEFE. Let us take the situation where they have been operating for a period of time, and which they have been able to make pay up to date. Now, is this to bail them out of that situation?

Mr. MACY. In the case of the Reader's Digest, the only conversion which is required is for enough to pay for the white paper on which to print the magazine, which can only be obtained for dollars.

Mr. KEEFE. In this country.

Mr. MACY. In this country. Newsprint is had for dollars, but not for francs.

Mr. KEEFE. How are they getting their newsprint for their publication at this time?

Mr. MACY. They are buying it with dollars.

Mr. KEEFE. And are they operating at a profit now?

Mr. MACY. They are operating at a profit in francs.

Mr. KEEFE. But at a loss in dollars?

Mr. MACY. They have to convert into dollars to pay for the white paper.

Mr. KEEFE. So they expect to accumulate francs.

Mr. MACY. They are accumulating francs.

Mr. KEEFE. By the constant use of their dollars, which maybe the parent company over here has to accumulate for the credit of the subsidiary in France.

Mr. MACY. That is correct.

Mr. KEEFE. What this will do will be to allow the release of the accumulated francs to the extent of the amount permitted to be converted into dollars?

Mr. MACY. To the extent of the dollar cost which they put into the magazine.

Mr. KEEFE. Yes.

Mr. MACY. Not the total investment; merely the dollar cost, in this case, of the white paper in the edition over there.

Mr. KEEFE. Suppose we do not provide this guaranty, so far as books and magazines are concerned, what would happen in this instance to the Reader's Digest?

Mr. MACY. I do not know what their financial standing is, and how long they could continue to operate with such a drain on their dollars to provide the white paper on which to print the French edition, but I suppose that in the normal operation they would have to stop at some time.

Mr. KEEFE. That gets us right back to the very question which seems to me to be paramount—and I am speaking now for the American taxpayer who puts up this money: Where do these francs go?

Mr. NITZE. They go to the United States Government.

Mr. KEEFE. Under the terms of the law, they will go to the United States, to be held by it.

Mr. NITZE. The law provides, in section 1 (i) that any payments made in pursuance of the authority of this paragraph such as cur-

rency, or credits in such currency, shall become the property of the United States Government.

Mr. KEEFE. But the situation is that if this were not accomplished in this manner, a concern like the Reader's Digest, which publishes an edition in French, and which may want to extend its operation into other countries, would find it with a teriffic drain upon the parent company, in the United States, which would be providing the subsidy, unless it can take the local currency and convert it into available dollars; otherwise the company would be under the necessity of purchasing the necessary supplies to maintain their operation in the foreign country, which cannot be purchased with local currency.

So the United States Government gets the advantage of the rate of exchange, whatever it is, by depositing the local currency in the Treasury of the United States, and if it ever comes back, if there is ever any stabilization of that country's currency, the loss to the Government of the United States might be minimized as the result of this guaranty; is that true?

Mr. NITZE. That is correct.

Mr. KEEFE. But the basic thinking, so far as the taxpayers of America are concerned, is that through the expenditure of American dollars, with the potential expectation of stabilization of the local currency, is that through the publication and circulation of these magazines, the peoples in these countries will know and understand more about the American concept of life. Is that it?

Mr. NITZE. That is correct

Mr. KEEFE. That would seem to be necessary, otherwise I do not see how we could justify ourselves in taking the money of the American taxpayers to promote what is in effect a local private profit making institution, by guaranteeing them against loss in the operation of their foreign business.

Now, you take the situation, getting out of this field, of which this is only a small part of the total guarantee limitation of $300,000,000, of a concern like the International Harvester Co., Macy-Harris, or Ford or Chrysler that have large plants already in operation, large assembly and manufacturing plants in the participating countries.

If they make additional investments in presently existing operating plants and structures over there, having been in that operating field for many, many years we, in effect, say to them, "You go ahead and make those additions to your plants and you operate those plants over there and use the indigenous currencies or the local currencies where available, and if you cannot buy them with local currencies and you need dollars we will exchange all the local currencies in the treasury of your subsidiary of your participating country and make dollars available to you at the fixed rate of exchange, and turn those dollars into the United States Treasury and give you American dollars for them with which to go on and expand your plant or your facility and to purchase needed supplies with which to operate it with the required dollars." Is that the way it works?

Mr. NITZE. Substantially, but I do not believe it is quite the way you said it, but almost.

Mr. CAWLEY. That would have to be a project which was approved by the Administrator.

Mr. KEEFE. Of course, that is understood in my whole question, that would have to be approved by the Administrator.

Mr. NITZE. Yes, it would have to be approved by the Administrator. He would see to it that the dollar expenditure by the International Harvester Co. was one that was required, and that it would make a full contribution to the purposes of the act. For instance, if $10,000,000 were required for improvements he would approve that project and then subsequently in the 14 years thereafter if that addition to International Harvester facilities over there was in receipt of local currency of certain amounts they would be guaranteed that they could convert that back into the $10,000,000 that originally went in——

REQUIREMENT OF EARMARKING BY ADMINISTRATOR FOR FULL AMOUNT OF LIABILITY OVER FOURTEEN-YEAR PERIOD

Mr. KEEFE. What this really means is that Congress may be called on for a period of 14 years to make good these guarantees that have been approved by the Administrator, allowing this sort of a situation to obtain for that length of time?

Mr. NITZE. That raises an important point, Mr. Keefe. Whenever the Administrator approves a project under this provision of the law and makes a guarantee with respect to it he thereby has to set aside an equivalent amount of his billion dollars of public debt transaction and cannot use that for any other purpose, so that he is, in effect, setting aside a portion of the $5,240,000,000 which is here under discussion for the full amount of his total liability over the 14-year period.

Mr. KEEFE. He could earmark, then, out of the billion dollars presently available to them up to $300,000,000?

Mr. NITZE. He is authorized to earmark up to $300,000,000.

Mr. KEEFE. And that would be in contemplation of a guarantee that would extend over a period of 14 years?

Mr. NITZE. That is correct. You will notice in the justification there is not any separate authorization requested with respect to any portion of the $300,000,000 guaranteed other than for this $15,000,000 item. The reason for that is that our estimates of exports from the United States and from other portions of the Western Hemisphere include the total amount of exports which were considered to be necessary to carry out the purposes of the act during the course of this year. Part of those exports under the guarantee provision would not have to move under direct assistance from ECA. There is, however, one point which I think is important, and that is if the Administrator approves a project, let us say, for the International Harvester Co., which involves eventually an expenditure of $10,000,000 he would have to set aside that $10,000,000 right away out of his public debt transaction of $1,000,000,000. Actually the equipment which would move forward under that $10,000,000 guarantee might be delayed beyond the course of this year and might really not relieve the export-import picture to the full extent during the year for which appropriations are now being requested. There is, therefore, a possibility that the guarantee provision will result in the obligation of funds under the $5,240,000,000 figure here being discussed which will not, in effect, contribute toward relieving the balance of payment during the course of the year.

It is one of the things which makes this problem of the Administrator during the next year tighter than it would appear from the figures that have been presented here.

EXTENT OF RESPONSIBILITY OF ADMINISTRATOR FOR OPERATION OF ECA

Mr. KEEFE. After all, then, this question demonstrates the fact that the Administrator is charged with a great flexible responsibility, and the people of the United States have to rely on the Administrator if that program is not going to ultimately terminate into a screeching fraud, it seems to me.

I can see plenty of opportunity for fraud to be practiced here under this program that will be the subject of discussion as time goes on.

I want the record to show that I called attention to it now because, as I have repeatedly indicated, this is a 4-year program. This group will be up here year after year, and if bugs do develop it is going to be just too bad. I just see possibilities that might exist in this for taking advantage of this program, and I hope that the Administrator will very forcibly prevent any such advantage being taken by anybody either locally or foreign subsidiaries of local concerns.

Mr. NITZE. It was our belief that the conference committees had put reasonably tight limitations on the use of this guaranty provision in the authorizing language.

Obviously, there is further detail necessary in the way of rules and regulations which must be put into effect by the Administrator himself, and which it was impossible to spell out fully in the authorizing legislation.

Mr. KEEFE. I just wonder how the concerns of this country who do not have entree to all of the details of this picture are going to feel when they attempt to operate in this export field and find some of them protected under this sort of an arrangement when they are in. I, perhaps, have inartfully expressed what I am trying to say, thinking out loud, but there are an awful lot of concerns that are engaged in the export business and a lot of them that want to get into the export business under this program. It takes two Philadelphia lawyers, and somebody who is pretty close to the whole business to understand what is going on and how it operates in order to get in on it, but I assume that sooner or later regulations will be developed and practices and programs will be publicized that will indicate that this is not a program developed for just a few American concerns and a few American concerns that have traditionally been involved in the operation of foreign business as a media for allowing them to fill their pockets with more money at the expense of the American taxpayer.

All we have is this assurance of the Administrator who stands between that sort of a situation and the American taxpayer. All we have is the assurance that he is going to deal fairly and justly in this picture. I say that with perfect good feeling, and if you know, Mr. Nitze, complaint is heard on one front after another throughout this country that this program is being filled up with representatives of the big interests, that Dillon Reed Co. and Wall Street have their men stuck all through this whole program and that they are going all out to give the American taxpayer a good shellacking at the expense of the American taxpayer. I have heard speech after speech made like that, and I have read article after article like that in the newspapers as you no doubt yourself have, that this whole program is instigated to take care of a very favored few. I warn against that. I have no such beliefs myself, but in view of the fact, as I have repeatedly

stated, that this program has got to have behind it the support of the American people or it will not continue beyond the period contemplated here, I am sure that the Administrator and those in charge will be able to make a very complete and satisfactory answer to those dire prophesies that have been made and that this will not appear to be a scheme by which a few favored individuals and insiders are going to reap a harvest out of this program.

You are aware of the charges that have appeared in some sections of the press and that have been made from the platform, are you not, Mr. Nitze?

Mr. NITZE. Yes; I am certainly aware of them, Mr. Keefe, because I used to be associated with Dillon Reed myself. I have no interest in the firm, and I do not contemplate having any interest in it or any connection with it whatsoever. I know the charges to be completely untrue.

Mr. KEEFE. There is nothing personal about that because I never knew you were connected with Dillon Reed. I am not making specific reference to any individual, but I want it distinctly understood that the members of this committee are acting with full knowledge of the fact that those charges have been made, and I am in hopes that through experience in the operation of this program that it will be demonstrated that those accusations have no truth in them, because if we are to come back here next year and be faced with the same situation, make no mistake about it there will be those who will scrutinize the activities of this operation very, very closely in the meantime.

Mr. NITZE. That is right.

Mr. KEEFE. I just marvel at the tremendous character of the job that is here undertaken and the multiple and almost immeasurable difficulties that present themselves in getting it underway.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Stefan.

Mr. STEFAN. Mr. Nitze, did you go into this program yourself personally?

Mr. NITZE. No, sir; I did not.

Mr. STEFAN. Did you, Mr. Macy?

Mr. MACY. I developed these figures, sir.

Mr. STEFAN. You developed the entire thing?

Mr. MACY. Yes, sir.

Mr. STEFAN. When you developed this did you go into the matter, and did you determine in your own mind that it was a means for them to take francs, marks, pounds, lira, and dinars and convert them into some exportable goods to make up this difference?

Mr. MACY. No, sir; I did not. I asked the various components of the industry to give us what they figured were their requirements. As you will see in the case of books, magazines, and newspapers, it is figured on the wholesale rate.

Mr. STEFAN. Did they justify it by saying that if you could give them this dollar exchange they could expand their circulation of magazines and books?

Mr. MACY. Yes, sir.

Mr. STEFAN. What justification do you have for asking us for $15,000,000 unless there is something to be gained through subsidizing these newspapers, motion picture producers, and publishers of books? What good is Uncle Sam going to get out of holding a certain number

of pounds, marks, francs, lira, and dinars that are not exchangeable for dollars?

Mr. MACY. This provision was inserted by members of the House and these figures here are merely an indication which we have gathered from the industry as to the demand they have for dollar exchange.

DISCUSSION OF USE OF FOREIGN CURRENCIES ACCUMULATED UNDER GUARANTY PROGRAM

Mr. STEFAN. Yes, I know, but I want to know the practical economics of this now. We will give them this $15,000,000, and what will we get in return for it? They will give us these francs, dinars, pounds, crowns, and so forth.

Mr. MACY. Yes, sir.

Mr. STEFAN. Will there be some recovery from them?

Mr. MACY. Well, they become miscellaneous receipts of the Treasury.

Mr. STEFAN. Will this $15,000,000 be an absolute subsidy, or can we get anything back for this foreign money? We will give them American money, and we will be holding a lot of francs, crowns, marks, pounds, and so forth.

Mr. MACY. Yes, sir.

Mr. STEFAN. What will we do with them; can we recover something from them so that there will be a cut in this $15,000,000 which we provide?

Mr. MACY. To the extent that we would otherwise have to buy those foreign currencies to pay the expenses of our foreign missions, presumably we would use some of these currencies instead of going out and buying some others for that purpose.

Mr. STEFAN. But we want to know what the American taxpayers are going to get back for this $15,000,000, and how much they will recover on this $15,000,000.

Mr. MACY. I have not figured that out. I was working out the figures as to the requirements of the industry for dollar exchange.

Mr. STEFAN. For instance, if I own a light plant in Yugoslavia, I cannot take those dinars out of that country. I have got to keep them there. However, I could use them for the purpose of capital investment, to build an addition to my light plant if I desired. However, if I get too many of them I can go out and buy some other things and export them to the United States to get some money back that way. Your plan is that we will get this money and pay foreign employees with it?

Mr. MACY. I did not plan it.

Mr. STEFAN. Well, the taxpayers ought to know what is going to happen here. Are you going to give $15,000,000 away and get nothing back for it?

Mr. MACY. We are getting foreign currencies in exchange.

Mr. STEFAN. Yes; we are getting foreign currencies in exchange, but how much can we realize on that foreign currency which we get?

Mr. MACY. I would not know.

Mr. STEFAN. Do you know, Mr. Nitze?

Mr. NITZE. I think in the first place, it ought to be stated, Mr. Stefan, that what this envisages is a guaranty that if arrangement can be worked out for the conversion of the currency of these foreign countries into dollars——

Mr. STEFAN (interposing). Stop right there. That is exactly what I am trying to get at. If these people can use these currencies and use them in buying something to ship into the United States and get dollars in return then we guratanee up to $15,000,000, but they must make every effort they can to use that exchange.

Mr. NITZE. That is correct.

Mr. STEFAN. For instance, some New York outfit had three or four or five light plants down in Yugoslavia. They had so many dinars on hand that they did not know what to do with them. They improved all of their light plants and built all the buildings that they wanted, and one year they bought rabbitskins and goatskins and made quite a little money from them down in Yugoslavia, and another time they bought beet tops and sent them to Texas to feed American cattle and they made money on the exchange that way. It does not seem possible to do so, but they did.

Now, is this American private industry asking us to subsidize it to the extent of $15,000,000 worth of this foreign exchange, and are they going to exhaust every effort that they can make for the showing of motion pictures and for the sale of magazines and books and then endeavor to buy something in France or to buy something in Ireland or in Greece or in Germany and export goods to the United States before we start paying this subsidy?

Mr. MACY. Yes, sir; because in the case of the motion-picture industry every dollar here, even though this guaranty is put into effect, they are still holding $9 in foreign currencies for every dollar——

Mr. STEFAN. But we are guaranteeing up to $15,000,000, and if they cannot work with that foreign currency the American taxpayer is going to pay the $15,000,000.

Mr. MACY. But then you can compute the exchange and exchange it for dollars.

Mr. STEFAN. But what they cannot exchange we pay for.

Mr. MACY. To the extent of the dollar cost.

Mr. STEFAN. I hope that whoever administers this will see to it that they make every effort to get rid of their foreign currency over there so that the American taxpayers do not have to subsidize them at all. If they get rid of their currency we would not have to subsidize them.

Mr. MACY. No; not if they could.

Mr. STEFAN. Why are we doing this for private industry? If we expand the circulation of the New York Herald Tribune or, say, of Life magazine, so that they will have a bigger circulation or so that Time magazine will have a bigger circulation or certain book publishers will have bigger sales or so the motion-picture industry will have a wider distribution of films that they want to distribute over there, who is going to screen the kind of magazines, newspapers, and motion pictures that go over there?

Mr. MACY. I assume that that would come under the regulations of the Administrator.

Mr. NITZE. Yes; the Administrator.

COOPERATION WITH OIE PROGRAM OF STATE DEPARTMENT

Mr. STEFAN. Will he cooperate with the OIE in that regard which is set up under an act of Congress for the dissemination of information? We buy a lot of newspapers, magazines, books, and motion

pictures for the same purpose as this, to spread word of America over there to these countries.

We are going to give these people $15,000,000 for what? They either take the same chance that American industry over there takes in getting rid of that foreign exchange, or else they are going to give us something back for this, are they not? What is it, the dissemination of information, to have information about the United States disseminated to foreign people, is that the idea?

Mr. NITZE. May I read a sentence which was inserted in the House report by the drafters of this provision which indicates what their purpose was? It said:

> The committee hopes that this will serve to promote through private channels that have been prevented from operating heretofore, a true understanding of American institutions and policy among the nations. Nothing could be more fruitful in supplementing the activities of our information program overseas.

Mr. STEFAN. Then you are supplementing with this the information program of the United States overseas.

I have been trying to bring this out all morning and again this afternoon.

When we were holding hearings for the OIE when they came before us justifying the appropriations for our regular informational service, some of the book publishers and newspaper publishing people came down here and said we would like to expand the circulation of our books, we would like to expand the circulation of our newspapers and we would like to go farther into the motion picture field if we could have dollar exchange. We do not want to expand our circulation now because we cannot make both ends meet. Some of them came before us and told us that they were losing money, but for patriotic reasons they wanted to continue. They wondered whether or not we could, in some way, help them to get some dollar exchange. This is the avenue that they finally found through which we can help them, is not that the story?

Mr. NITZE. I think that is correct.

Mr. STEFAN. So, in this way we are supplementing the Voice of America in the dissemination of information about the United States, and the screening of that will be done by the Administrator with the cooperation of the State Department Information Service, is that true?

Mr. NITZE. Yes, sir; as I understand it.

Mr. MACY. That cooperation will be available if it is requested.

Mr. NITZE. I was told this morning that they were supposed to ask for it if it is desired.

DISPOSITION OF FOREIGN CURRENCIES ACQUIRED UNDER GUARANTY PROVISIONS OF ACT

Mr. STEFAN. Will you put in the record at this point the foreign currency purchases by our own Foreign Service by countries? I would like to indicate whether there would be any real use for these currencies by the United States of America.

Mr. NITZE. For what years?

Mr. STEFAN. It was stated here that you were going to use some of these foreign currencies to pay some of our Foreign Service employees. I happen to be the chairman of the committee that makes the appropriations for our Foreign Service.

We are buying all kinds of buildings through certain foreign exchange, and we are buying property through foreign currencies and taking credit on lend-lease, and we are taking credit on surplus. I want to know what this foreign currency picture is going to look like if we are going to subsidize these private industries.

There is going to be a demand made upon us by other industries, as was stated by Mr. Keefe, who find themselves in the same position and who want to expand and who, perhaps, want to be subsidized in the same way. It may be that we can use it in the ECA program or that we can use it in the foreign building program. I would like to know what the picture is, but I definitely want to know that this thing is going to be supervised, so that we will know that they are making an honest effort to get rid of their foreign currency for which they want to be subsidized to the tune of $15,000,000. You get my point, do you not?

Mr. NITZE. Yes, sir.

Mr. MACY. I concede that these foreign currencies could be used for those purposes.

Mr. STEFAN. They should be used for anything you can possibly use them for to get rid of them.

I talked to a Foreign Service officer here not long ago who had so many pounds that he would like to get rid of them. I said to him, "How about coupons, you have to have them in England to buy things with." He said, "Oh, I can take care of that all right." There is a lot of manipulation in foreign currencies and in foreign exchange.

Mr. NITZE. We can supply you, Mr. Stefan, with estimates or perhaps specific figures on that, on the current purchases of local currency. We can supply that for you.

(The matter referred to is as follows:)

STATEMENT RELATING TO DISPOSITION OF FOREIGN CURRENCIES ACQUIRED UNDER GUARANTEE PROVISIONS OF THE FOREIGN ASSISTANCE ACT OF 1948, SECTION 111 (B) (3)

The above section providing for guarantee to United States investors including producers of information media, states that the foreign currency counterpart of such guarantees shall be turned over to the United States Government upon the guarantees becoming operative. Implementation of this and other aspects of the guarantee operation will be in accordance with rules and regulations which will be prescribed by the ECA Administrator as required by the act.

In order to give effect to paragraph 1 of section 111 (b) (3), the draft text of the proposed bilateral agreements to be negotiated with the countries participating in the European recovery program contains clauses relating to the operation of the guarantees provisions of the Foreign Assistance Act. The participating countries will be requested to undertake to recognize as property of the Government of the United States any foreign currencies or credits in such currencies as may be assigned or transferred to the Government of the United States as a result of the guarantees to American investors in such countries becoming operative.

It is anticipated that whatever amount of foreign currencies is turned over to the United States Government as a result of implementation of the guarantees provisions will be available for any and all United States Government expenditures in that foreign currency.

However, the time when and the circumstances under which the foreign currencies would become available for such expenditure is believed to be a matter for determination by the ECA Administrator, at least in the first instance. Naturally, such currency would have to be disbursed against funds appropriated by the Congress for the operation of the Foreign Service and other United States Government agencies since otherwise such expenditure would result in an unauthorized augmentation of the appropriations of the agencies concerned.

Foreign currency required by the Foreign Service in the ECA countries, fiscal year 1948

Country	General administration,[1] Foreign Service	Building program (financed from lend-lease and surplus property credits)
Austria	$8,000	$800,000
Belgium-Luxemburg	352,000	1,400,000
Denmark	197,000	200,000
France	423,000	3,700,000
Greece	767,000	750,000
Iceland	38,000	750,000
Ireland	193,000	(2)
Italy	95,000	3,000,000
Netherlands	260,000	1,225,000
Norway	84,000	400,000
Portugal	365,000	275,000
Sweden	553,000	600,000
Switzerland	1,217,000	165,000
Turkey	495,000	1,000,000
United Kingdom	522,000	9,000,000
Western Germany	95,000	
Total	5,664,000	23,265,000

[1] The figures for general administration do not include fee receipts collected for consular services and disbursed for administration.
[2] Included in figure for United Kingdom.

The above figures showing the estimated expenditures in foreign currencies of the Foreign Service have to be considered as subject to two modifying factors. They do not include all of the expenditures of all United States Government agencies in these countries. Secondly, all of the expenditures shown above for the building program are now and some of the general administration shortly will be covered with foreign currencies obtained under surplus property sales and lend-lease settlement agreements.

Mr. STEFAN. When we were talking about trying to give these people some help and getting some dollars for them so they could increase their circulation, and I think it was the Herald Tribune that came before us, I did not realize at that time we were going to go into so many other countries. We were confining this to countries that were definitely dominated by the Soviet Union. I do not like to call it Russia any more, because I think that is a misnomer, and that we should call it the Soviet Union, and I think the State Department should call it the Soviet Union. I thought at that time that we were going to confine that assistance in helping those people in getting a bigger circulation to the countries dominated by the Soviet Union. How does it happen, Mr. Nitze that they expanded that to these other countries; did the newspapers themselves request it?

Mr. MACY. I frankly do not know, sir. This is a provision in the bill, and that is all the Department knows about it.

Mr. NITZE. It could only be applicable to the participating countries in this bill.

Mr. STEFAN. Why do we have to go into Ireland, Luxemburg and the Netherlands? Why not confine it to Austria, Germany, Greece, Italy, and perhaps Turkey?

Mr. MACY. Those are decisions which the Administrator can make. This is not a program proposal which you have before you. This is merely a compilation of the present demand for dollar exchange.

Mr. STEFAN. This is merely a supplement to the Voice of America. When they came before us they asked for some little help. This is

the avenue that they eventually found to expand the information. They added countries that we have absolutely no thought of ever putting into our informational program. Mr. Benton never thought about it, and I have not talked to Mr. Allen about it.

The CHAIRMAN. We will have to have that total in front of us and the ideas and the testimony when we go to mark up the bill. What language we use will depend on what the committee determines.

Mr. STEFAN. Did you talk this over with Mr. Allen, and did he want this?

Mr. MACY. I know that Mr. Allen's general policy is in favor of this, but again these figures are merely a compilation of the existing demand for dollar exchange.

The CHAIRMAN. They are merely a set-up to look at.

Mr. MACY. That is right.

The CHAIRMAN. We will look at them, and we will size it up when we mark up the bill.

Mr. STEFAN. What I am fearful of, Mr. Chairman, is that if we do not look it over very carefully, instead of having just the publishers of books, of which there are approximately 80 in number and the motion picture producers and a few newspapers and a few magazines, we are going to have other private industry coming in here for subsidies because they cannot get rid of their pounds, their francs, their dinars, or cannot get rid of anything.

The CHAIRMAN. We will have to consider that as we mark up the bill. There is no question about it, the committee will have to take that into consideration, and we will.

Mr. STEFAN. I have no further questions, Mr. Chairman.

MONDAY, MAY 10, 1948.

TOURISM

STATEMENTS OF FRANK A. SOUTHARD, JR., DIRECTOR, OFFICE OF INTERNATIONAL FINANCE; GEORGE H. WILLIS, CHIEF, EUROPEAN DIVISION, OFFICE OF INTERNATIONAL FINANCE; DILLON GLENDINNING, CHIEF, BRITISH EMPIRE AND MIDDLE EAST DIVISION, OFFICE OF INTERNATIONAL FINANCE; PHILIP SCHAFFNER, EUROPEAN DIVISION, OFFICE OF INTERNATIONAL FINANCE, TREASURY DEPARTMENT; AND RICHARD BREITHUT, ASSOCIATE CHIEF, DIVISION OF FINANCIAL AFFAIRS, STATE DEPARTMENT; F. R. CAWLEY, ACTING BUDGET OFFICER, ECA

(Editor's Note: Tables hereinafter referred to by numbers I to XII may be found beginning on p. 913.)

The CHAIRMAN. The next item is "Tourism," which is on page 8, item 51. Who will take up this item?

Mr. SOUTHARD. I will take it, Mr. Chairman.

The CHAIRMAN. This means tourist travel, does it?

Mr. SOUTHARD. Yes, sir.

The CHAIRMAN. Those are the earnings that they make out of tourist travel; that is what it is.

Mr. SOUTHARD. This item includes both the ERP country's earnings from tourist traffic in that country and any payments which they might make on account of the travels of their own residents overseas or outside of their frontiers.

We have here some tables and we have also a prepared statement on the whole invisible problem and appropriate tables covering each category, including the tourism item.

Mr. STEFAN. Do you have extra copies of it?

Mr. SOUTHARD. Yes, sir; we have copies which I would be glad to make available to the committee, or I will read it into the record. This short statement goes over the whole problem.

The CHAIRMAN. The whole problem?

Mr. SOUTHARD. Yes, sir; the whole problem of invisibles and it includes tourism in it.

The CHAIRMAN. Perhaps you might make that statement.

GENERAL STATEMENT

Mr. SOUTHARD. Thank you, sir. This relates to the entire problem of invisibles, meaning by invisibles, of course, those items which are not in commodity trade, but we have excluded from our statement anything with reference to ocean freight because we understand you have had separate testimony on that.

The so-called invisible items, excluding ocean freight, comprise such items as tourism and transfers of interest, amortization, profits, and dividends; they also include a group of "other transactions," many of which are vital for the operation of foreign trade.

I might interpolate there to say that in the statement attached tourism is the first item and there are then some interest and amortization figures—one for the United States Government credits only, and one the other private credits—and then an over-all residual item.

For example, under this heading appear insurance premiums and payments of insurance claims; brokerage and management fees and commissions; advertising expenses; telegraph, telephone, and radio charges; rentals and royalties; and subscriptions to publications. Government operations abroad involve diplomatic and consular expenditures; contributions to international agencies for administrative purposes; Government pension fund payments and receipts by foreigners; and military expenditures. Personal and institutional remittances are also important. These may arise from earnings of foreign workers or from legacies, bequests, and inheritances.

In the period just prior to the war, it is estimated that net earnings by participating European countries from all invisible transactions (other than shipping) were sufficient to cover more than one-fifth of the cost of their commodity imports from the rest of the world.

May I remark there that our estimate is that the net invisible earnings, that is, the net invisible accounts, other than the shipping earnings for 1948-49 would cover about 3½ percent of the gross commodity imports as against something more than 20 percent before the war. What we have here is a shrinkage in the relative importance of the net invisible earnings of Europe, as compared with the value of imports.

The CHAIRMAN. From where has that shrinkage come?

Mr. SOUTHARD. That shrinkage has come in part from the net reduction in the investments of these countries, and it has come in part from the fact that the tourist traffic is by no means comparable to its prewar level for the ERP countries as a whole in their traffic from all parts of the world. Those two items account for the largest absolute shrinkages in the earnings of these countries.

Net invisible earnings, other than shipping, from the United States in 1938 covered almost one-eighth of the gross cost of goods imported from the United States in that year.

The war drastically altered the net invisible earnings situation of the participating countries particularly insofar as the receipts from tourism and overseas investments were concerned. Lack of facilities for handling large-scale tourist traffic and the disinclination of many foreigners to travel in Europe under the troubled conditions prevailing have reduced this source of revenue. Loss of overseas capital through liquidation and new obligations have seriously restricted net income from investments; at the same time the purchasing power of income on fixed-interest investments has been curtailed by rising prices.

The executive branch has reviewed data on invisible payments and receipts furnished by the participating countries and has adjusted these data in line with current developments in the international positions of these countries. It should be noted that 56 percent of the estimated invisible payments by participating countries to the Western Hemisphere in the fiscal year 1948–49 consists of interest, amortization, dividends, and profits. A large part of these payments cannot be avoided except by violating contractual obligations and thereby weakening the basis for a resumption of normal business relationships with the outside world. The other 44 percent will include expenditures by European businessmen in this hemisphere, the costs of maintaining Government missions, insurance, and a wide variety of smaller payments, mostly of a business type. That is on the payment side.

On the receipts side, the executive branch has made a liberal estimate for income from United States citizens traveling abroad relative to the 1947 experience. Gross expenditures of United States tourists in the participating countries are estimated to rise from $115,000,000 in 1947 to $228,000,000 in the 12 months ending June 30, 1949. It has not been altogether easy to get really good, comparable prewar figures on many of those invisible items, but we can say that the expenditures by American tourists in the ERP area, making the best adjustment we can—because in those years we were not worrying about the ERP countries as against the rest of Europe—were about $195,000,000 in 1929, and we are estimating they will total $228,000,000 for the 12 months ending June 30, 1949. There has been a rise in prices, to be sure, but dollarwise we are estimating rather more than the prewar amount. In 1938, the United States tourist expenditures in the ERP area and dependencies are estimated at $72,000,000 as against $115,000,000 for 1947 and $228,000,000 for fiscal 1949.

The CHAIRMAN. Do you estimate those increases are largely because of the increase in prices?

Mr. SOUTHARD. As against the number of people, I would say it is very largely the prices. The number of people, I am sure, will be smaller than before the war. We can try to get a supplemental statement on that for you.

The CHAIRMAN. You would say it was largely the increase in prices?
Mr. SOUTHARD. Yes; as against the actual numbers.
The CHAIRMAN. The numbers are not as large?

EXPENDITURES OF UNITED STATES TOURISTS IN EUROPE, PREWAR AND POSTWAR

Mr. SOUTHARD. That is right. In fact, I venture that this summer, from all reports, all of the available means of travel to Europe are going to be utilized to the full, and even then the number of cabin spaces is not sufficient. We can check that and get a supplemental statement for you. Our view is we won't get what we got in 1929 at the peak of the tourist trade.

(The following was submitted later:)

EXPENDITURES OF UNITED STATES TOURISTS IN EUROPE, PREWAR AND POSTWAR

The Department of Commerce has provided the following estimates covering tourist transactions of United States residents with all European and Mediterranean countries:

	1929	1937	1938	1947
Approximate number of tourists	350,000	250,000	200,000	140,000
Expenditure, excluding international passenger fares (in millions of dollars)	213	97	78	102
Approximate expenditure per person	$610	$390	$390	$720

The above figures include transactions with non-ERP countries in Europe and with non-European countries in the Mediterranean area such as Egypt and Palestine, as well as with countries participating in the recovery program.

It has been estimated that transactions with ERP countries alone resulted in expenditures by United States tourists of about $195,000,000 in 1929 and $95,000,000 in 1947.

In addition to the above, about 50,000 to 60,000 tourists went to the British West Indies before the war. Passengers on Caribbean cruises also touched at the British West Indies although their per capita expenditures were not large. In all, about 10 to 12 million dollars per annum was spent in these dependencies of participating countries before the war. About 20 million dollars was spent in 1947 by 70,000 regular visitors to that area and approximately 10,000 cruise passengers.

Our goal for European receipts from this source in 1948–49 has been fixed at $228,000,000, derived as follows:

	ERP Europe	ERP dependencies	Total
Approximate number of tourists	200,000	100,000	300,000
Average expenditure per tourist	$990	$300	$760
Total expenditure (in millions of dollars)	197.8	30	227.8

This goal exceeds by some $30,000,000 or more a forecast of what could be achieved without additional efforts on the part of the European countries. However, it is considered advisable that the program call for additional efforts on their part to increase their earnings from tourism. Realization of this program would be assisted by favorable action on bills now pending to increase the present limit of $100 per person on duty-free imports permitted to returning United States tourists.

The CHAIRMAN. Nevertheless, it is considerably above 1947?

Mr. SOUTHARD. Very considerably above. There is no doubt about it. We think we are justified in this figure.

The CHAIRMAN. The French, I notice, are advertising quite extensively through the newspapers in this country.

Mr. SOUTHARD. That is right.

The CHAIRMAN. I have not seen so much of that from the British.

Mr. SOUTHARD. There have even been some big ads there.

The CHAIRMAN. But they do not seem to be catering so much to that industry, although there is considerable demand to go over there.

Mr. STEFAN. They are setting up these travel universities now, such as the one in Maine, like the Marshall-plan university. What can you tell us about that, Mr. Nitze, in connection with some assistance from the Department of State, where they charter boats?

Mr. NITZE. I am afraid I am not familiar with that.

Mr. SOUTHARD. The British are figuring on $50,000,000 in United States tourist expenditures in their area, with possibly $20,000,000 more from other parts of the Western Hemisphere, which would probably be largely dollars. We would be inclined to doubt if they will run that much. That seems to us a little high, but they are figuring on a pretty big volume.

For the French, we have estimated $30,000,000 in this tourist season from American expenditures. The French are pretty optimistic in their guesses as to what they will get out of this tourist season, but we doubt if they will exceed that.

Mr. STEFAN. They are running quite a publicity campaign for it.

Mr. SOUTHARD. Yes.

The CHAIRMAN. Proceed, Mr. Southard.

Mr. SOUTHARD. The chances of realizing this increase in tourist income are not, of course, unrelated to the progress of European recovery which the entire program is designed to promote. I mean by that simply if you had a situation even as troubled as last summer, you would get a much smaller tourist traffic than if we had a situation where conditions could be more stable, where food was available and travel facilities were more congenial.

For the fiscal year 1948–49, tourist receipts from the entire Western Hemisphere are expected to amount to 25 percent of total invisible receipts (other than shipping). Interest, profits, amortization, and dividends represent another 42 percent. These two categories, therefore, account for approximately two-thirds of the total invisible receipts of the ECA area from the Western Hemisphere. We have spoken particularly about the Western Hemisphere, although some of the tables do include the other nonparticipating areas and the participating countries themselves, but we point out that those, in large part, are not dollar earnings, and it is pretty tricky to try to add them across. The other third consists largely of remittances and United States Government diplomatic and military expenditures abroad:

BREAKDOWN OF INVISIBLE TRANSACTIONS (OTHER THAN FREIGHT) OF PARTICIPATING COUNTRIES, 1948–49

The executive branch estimates that the invisible transactions (other than freight) of participating countries with the Western Hemisphere will result in net earnings of $196,000,000 in the fiscal year 1948–49

($214,000,000 in the 15-month period from April 1948 to June 1949). The executive branch believes that the estimates as presented are reasonable both as to the broad nature of the transactions and their magnitudes.

(See table I on p. 913.)

AUTHORITY TO ESTABLISH UNIT TO ENCOURAGE FOREIGN TRAVEL IN DEPARTMENT OF COMMERCE

Mr. STEFAN. To make the record complete on tourism, there is a provision on page 19 of the act that requires the Department of Commerce to set up a unit to encourage foreign travel. I assume whatever is done in connection with that will be transferred to Commerce from your $4,000,000 transfer fund, and probably the justifications for that will come up next year on the regular bill making appropriations for the Department of Commerce, but you expect to transfer that to Commerce?

Mr. CAWLEY. Yes, sir. There is no specific provision for transfer of any of that $4,000,000 for this purpose.

Mr. STEFAN. But the act provides that we set up a unit to carry out this provision for the encouragement of foreign travel.

Mr. CAWLEY. Yes, sir.

Mr. STEFAN. I wanted to bring that out so that the record would have something in it when we take that up next year.

Mr. CAWLEY. We will do the best we can until our regular appropriation bill comes up next year.

Mr. STEFAN. You are not setting up the unit under the act now?

Mr. CAWLEY. Not yet.

TABLES RELATING TO INVISIBLE ITEMS, EXCLUDING OCEAN FREIGHT, FOR PARTICIPATING COUNTRIES

Mr. SOUTHARD. The three tables on pages 914 and 915 are identical except for the time period. One (table II) covers 15 months; one (table III) covers the present 3 months; and the other (table IV) covers fiscal 1948–49. Therefore, you get the 12 months' figure in the fiscal 1949 table.

On tourism, if you want the dollar figures, that, of course, is almost entirely the Western Hemisphere part of the table, which we have broken down between the United States and the other Western Hemisphere countries. The other nonparticipating countries and various participating countries, are not very likely to pick up any dollars out of that tourist trade.

The CHAIRMAN. You mean the 77.4 would not be dollars? I should think it would be.

Mr. SOUTHARD. That would be dollars—United States and the other Western Hemisphere.

The CHAIRMAN. That means 299 against——

Mr. SOUTHARD. Against only a net of 11 for the nondollar countries (table II).

The CHAIRMAN. But that would be a considerably larger figure than appears three-quarters of the way down on page 2.

Mr. SOUTHARD. That is the United States figure only.

The CHAIRMAN. That does not jibe with the other.

Mr. SOUTHARD. That is the fiscal 1949 figure, which you find on the table relating just to fiscal 1949 under the United States—$227.8 (table IV). The last table is the United States figure. We have said here in the written statement that the 12 months ending June 1949 for the United States is only $228,000,000, and if you add the $79,000,000, you get the gross receipts for the 12 months, fiscal 1949, of roughly $307,000,000 (table IV), and taking the 15 months net brings you to 299.5 million dollars (table II).

The CHAIRMAN. Now, where are the shipping earnings shown?

INTEREST AND AMORTIZATION ON UNITED STATES GOVERNMENT CREDITS

Mr. SOUTHARD. We have not included those as such in our statement, because we were instructed you were having testimony on the shipping earnings by other people; so we were told to cover everything but that. We have included three broad headings. We have broken down interest and amortization on United States Government credits from the others, because we rather thought you would want to see that separately. We can give you a detailed statement of the United States Government credits that are involved. You will see in your statement again the 12 months' figure on the last table amounts to $204,000,000.

The CHAIRMAN. That means payments to the United States Government on obligations?

Mr. SOUTHARD. That is right. The most important items are to the Export-Import Bank, the Office of the Foreign Liquidation Commissioner——

The CHAIRMAN. Does that involve, as some of these other things do, the keeping current of their payments to the United States Government on obligations that are outstanding to the United States Government?

Mr. SOUTHARD. Yes, sir.

The CHAIRMAN. I think we ought to have a break-down on that.

Mr. SOUTHARD. Here is a break-down by countries, showing the way we derived this figure on the master table.

(Table V may be found on p. 916.)

ADVISABILITY OF PROVIDING FUNDS FOR PAYMENT OF OBLIGATIONS OF PARTICIPATING COUNTRIES TO UNITED STATES

The CHAIRMAN. The thing that occurs to me there is this: Why we should include such things as that in a relief bill; because it is not helping the picture any; it is giving them the thought that they need never pay; whereas, if they received an extension of these loans under normal circumstances they would feel that they should pay.

If you or I had a loan at the bank and we found we could not meet it on the particular day, we would go to the bank and get an extension. Now, why are these European countries any different from what we are? It indicates rather a lack of knowledge of the ordinary facts of life for a Department to be bringing such a thing up here. Is not that right? Do you see the philosophy of that situation? That impressed me very much when we had that interim aid bill up last fall, and there seemed to be no understanding of those ordinary facts on the part of the Department.

Mr. SOUTHARD. The view of the Treasury Department and the National Advisory Council, both, is that to force these countries to default or to ask for extensions on their total obligations overseas, by withholding from them funds equivalent to those that they would normally use to meet both their scheduled obligations to this Government and their debts to private creditors rather prejudices the whole standard by which they meet their payments.

The CHAIRMAN. In other words, if we were to provide them the funds to pay their obligations, we would create a better atmosphere and a better desire on their part toward paying than if we extend the obligations?

Mr. SOUTHARD. We do not like the idea of a moratorium.

The CHAIRMAN. That kind of policy can lead to just one thing, and that is a complete default on the whole thing, and it is not an intelligent approach. You know, if you had a problem like that as an individual, you would not expect your creditor to take that position, and you have to think about these things.

Mr. SOUTHARD. We have endeavored to, Mr. Chairman.

The CHAIRMAN. And I am afraid that has not been done.

Mr. SOUTHARD. We have endeavored to, and the Secretary of the Treasury, in the statement which I think you want him to make, reverts in considerable detail to this general question of the policy of taking into account, in estimating the dollar position of those countries, their total obligations to both public and private creditors and to business firms of this country and the Western Hemisphere, and I would hope we might have from him, when he comes up, a much longer statement on the general policy. I understand he is to come up this week.

Mr. NITZE. Those points are gone into in great detail. In the first place, it was conceived this was a recovery bill and not a relief bill. The problem was studied extensively and the final determination by NAC was that it should be recommended in this way.

Mr. SOUTHARD. Those countries in Europe have incurred with respect to various creditors in this country, as well as with respect to various private enterprises in the United States and in the Western Hemisphere, very large obligations for interest, profits, amortization, and dividends.

The CHAIRMAN. Every single one of those things is where they owe us, and for us to give them a credit which allows them to pay us is the very worst approach we could make to the thing. Leastwise, it seems so to me. I cannot follow that kind of thinking.

Mr. SOUTHARD. Would your view be the same with respect to the next item in the basic table, namely, interest, profits, amortization, and dividends to private creditors or investors in this hemisphere? You might force a default or moratorium on all obligations of Europe to this hemisphere during the period of this recovery program.

The CHAIRMAN. Well, should we pay them?

Mr. SOUTHARD. They have net earnings of some magnitude, and it would be a matter of our telling the foreign countries they could not use their earnings to meet these obligations; that we would not permit them, and they must, therefore, use all of their earnings to buy commodities. With respect to obligations they have to private American creditors, we would——

The CHAIRMAN. Do you have any break-down of that figure at all?
Mr. SOUTHARD. Not in as great detail.

PAYMENTS OF INTEREST PROFITS AMORTIZATION, AND DIVIDENDS, BY PARTICIPATING COUNTRIES ON OTHER THAN U. S. GOVERNMENT CREDITS

The CHAIRMAN. Now, you have an item here on payments. What is OWH?

(See table VI on p. 917.)

Mr. SOUTHARD. Other Western Hemisphere. That is all countries in this hemisphere except the United States—Canada, Latin America, and so forth. If you take the first European area on table VI, Belgium-Luxembourg, payments to the United States of $1,000,000 consist of interest and amortization on dollar bond issue; payments to other Western Hemisphere consist of profits and dividends on private investments and $6,000,000 of interset and amortization on the Canadian credit.

Then, when you get down to Denmark, 10.3 million dollars, where the figures are reversed, payments to United States consist of interest and amortization on dollar bond issues and profits and dividends on private United States investments; whereas, the similar figure in that case of $1,000,000 to the other Western Hemisphere consists of profits and dividends on private investments. And so it goes down the line.

Take Norway: there are Norwegian dollar bond issues outstanding in this country in the amount of about $75,000,000 and bankers in this country have extended $16,000,000 in credits to Norway. There are also some minor investments, payments on which principally profits, bring the total annual payments to just under $10,000,000.

Under your suggestion for a moratorium, it is not really a matter of picking these out and saying the United States would not make money available for a specific purpose, would not earmark funds for the foreign countries to use in making payments to this hemisphere; it is rather the United States would say countries may not use their dollar earnings to meet their obligations in this hemisphere. To our mind, that forces a spirit of default for the life of the recovery program.

This was discussed at great length by the National Advisory Council, which includes the chairman of the board of the governors of Federal Reserve System, the Secretary of the Treasury, the Chairman of the Export-Import Bank, and the Secretary of Commerce, and representatives of the Department of State, and they felt very strongly that a general moratorium during this period on all obligations to this hemisphere would be most unfortunate. As I said, I would not want to say the administration's last word on this, because I know Secretary Snyder wants to make some comment on it.

The CHAIRMAN. We will ask him about that when we get into it. Frankly, I did not know that was what this bill was for.

Mr. NITZE. It is not contemplated that any funds under this bill would be used for this purpose.

The CHAIRMAN. But that is the way it works.

Mr. SOUTHARD. That is the way it works, in a sense.

The CHAIRMAN. Interest, profits, and amortization is what this comes under?

Mr. SOUTHARD. That is right.

The CHAIRMAN. And the receipts that would offset these payments, this $445,000,000—is that the payments to us or payments to others? What does "payments" mean—"payments" and "receipts?" Define those two words.

Mr. SOUTHARD. "Payments" are payments that those countries make to the Western Hemisphere. "Receipts" are the amounts they receive from the Western Hemisphere. Therefore, in those figures there is a net receipt. They will receive more from the Western Hemisphere in this estimate in interest, profits, amortization, and dividends than they pay to the Western Hemisphere.

The CHAIRMAN. Well, you have an item in this schedule that runs approximately $363,500,000.

Mr. SOUTHARD. That is right.

The CHAIRMAN. And this figure in here is $445,800,000, and there is nothing there that indicates anything about a complete break-down of either the payments or receipts—nothing in the nature of a break-down of the receipts.

Mr. SOUTHARD. The figures you referred to there are the 12 months' figures that appear on the last table of the three master tables. The 363.5 million dollars you have read off the table appears on the third table for 12 months (table IV) rather than the 15 months' figures, and the break-down of that is United States 154.8 million dollars, and the other Western Hemisphere, 208.7 million dollars.

The CHAIRMAN. But there is no break-down of the receipts.

Mr. SOUTHARD. We have no corresponding break-down of the receipts.

The CHAIRMAN. How could you ever figure these balances of payments to the United States if you did not have that? Can you bring that with you when you come up here again, by countries?

Mr. SOUTHARD. It is very hard to give anything as precise as we have given in the break-down here.

The CHAIRMAN. Why would it be hard? Hou can you get it; if you would not be able to break it down, how could you give it at all?

Mr. SOUTHARD. Because we have used the gross estimates based on information we have received from overseas, which itself comes from the foreign countries aad is not broken down; whereas, on the payment side, we have the United States sources. We know what the foreign obligations in this country are and have been able, country by country, to run down the bond issues they have outstanding, and so forth. It is a much easier problem. We are dealing with our own sources of information. But you take the figure of 518.6 million dollars in total Western Hemisphere receipts on interest, profits, amortization, and dividends (table IV). That, for example, includes the Swiss foreign investment and the receipts they have. Now, the Swiss are not going to get anything out of this program, and they simply do not give us the kind of detailed break-down we might otherwise get.

The CHAIRMAN. But you can get the over-all for them and get the detail for the others, can you not, without any trouble? How much trouble would it be?

Mr. SOUTHARD. We have some information, Mr. Chairman, but it is not, by any means, as complete as the information on the payment side.

The CHAIRMAN. How could you get up a statement if you did not have it? Who got this up for you? Who on earth got it up for you?

Mr. SOUTHARD. These figures were obtained by the executive branch from many sources. They are the best figures we could get.

The CHAIRMAN. If they cannot tell how they threw them together, how can they tell how good they threw them together?

Mr. SOUTHARD. Take for one country alone—I have here tables for a number of individual countries which I would be glad to provide for members of the committee. Take Belgium-Luxemburg: we show $2,000,000 of receipts that they have obtained from their investments in the United States. Those were based on the best United States information on their long-term assets in the United States as of December 31, 1947. But we do not have a very detailed break-down of all that those investments include. We do have here figures for most of the countries which we would be glad to provide for the record. (See table VII, p. 918.) They are not 100 percent complete, but they give more detail than appears in table IV. Table VII covers all the countries.

For Austria, there is very little information, but if you take the first country on the table, you will see the data provided. If you take Belgium-Luxemburg, and then run across from the receipts, we indicate their estimate of $2,000,000 from the United States, as against an estimate of $1,000,000 in 1947.

We have made similar estimates country by country as best we could, and on the next item you will find Denmark, where we give an estimate of their long-term dollar investments in this hemisphere and the United States.

RECEIPTS OF INTEREST, PROFITS, AMORTIZATIONS, AND DIVIDENDS FROM WESTERN HEMISPHERE BY PARTICIPATING COUNTRIES

The CHAIRMAN. Why could not you have drawn that together so that we could see what it was?

Mr. SOUTHARD. We will be very glad to do that.

(See table VII, page 918.)

Mr. SOUTHARD. I would like to make a comment on the whole over-all receipts figure of $518,000,000 on the fiscal-year table (table IV). It includes overseas earnings, some of which are blocked in this hemisphere by foreign-exchange regulations of South American countries and some of which are left voluntarily. For example, the Swiss decided they won't bring back their earnings in the United States or Mexico. We think there may be as much as $200,000,000 of that figure which is accumulated receipts from prior years on European investments in this hemisphere and probably, therefore, is an exaggeration of the actual annual earnings. Nevertheless, they are there and should be included as possible receipts.

The CHAIRMAN. For instance, you have receipts involving $24,000,000 from Italy which would run into quite considerable figure under "Other items." Those run over-all something like $57,000,000. Then you have $95,000,000 from the Netherlands against which you have set up the $13,000,000 to go into this program.

Now, it rather looks like we ought to have that all together where we can get a look at it.

Mr. SOUTHARD. You mean country by country?

The CHAIRMAN. Yes.

Mr. SOUTHARD. Well, this is country by country.

The CHAIRMAN. It may be we should not know anything about it. There seems to be some attitude along that line which is expressed, but I have not gotten to that point yet.

Here is an item on Sweden. You have $51,000,000 in there, and for the Swiss there is between interest and other items and other receipts something like $231,000,000.

Turkey has a considerable item, and the United Kingdom items involve $235,000,000.

I do not know, but it does look like you could throw that all together for us in a little better shape. Do not you think so?

Mr. SOUTHARD. In the Brown Book, there is the same thing country by country.

The CHAIRMAN. I do not care about that. I would like to have something in the form of a table that could go on one or two sheets that we could put in the record.

Mr. SOUTHARD. We will take all of the items, as far as we can, that are indicated in these tables, put them down in a shape so that you can see the receipts and payments by countries, and the items over here.

The CHAIRMAN. That is right.

Mr. SOUTHARD. We will do that. We have the master tables with those sheets here, and we are not trying to withhold anything, but we can certainly put that in better form.

RECEIPTS AND PAYMENTS BY PARTICIPATING COUNTRIES FOR INTEREST, AMORTIZATION, ETC.

The CHAIRMAN. Can you have that ready for us by tomorrow morning?

Mr. SOUTHARD. Yes, sir.

(Table VIII may be found on page 918.)

SATURDAY, MAY 15, 1948.

EXPENDITURES OF UNITED STATES TOURISTS IN EUROPE

The CHAIRMAN. As to this first table about tourist expenditures I do not see any reason why that should not be placed in the record now. I have no questions on it.

(The table referred to may be found on p. 893.)

The CHAIRMAN. What is OWH?

Mr. SOUTHARD. "Other Western Hemisphere" countries—other than the United States. These are abbreviations, Mr. Chairman.

Here, Mr. Chairman, for your convenience is the statement we had before. We have rerun it to put it on a fiscal-year basis. We thought that you would not mind putting this one in the record in place of the old one. There are no significant changes in it.

Mr. SOUTHARD. You get these totals down here, and you pick up 244.3 million dollars and 274.3 million dollars (table I) and those are the figures you get down here, and here [indicating] is your grand total. The table shows the totals of receipts and payments.

The CHAIRMAN. All right. These are the receipts by dollars in this second table?

Mr. SOUTHARD. That is right.

Mr. SOUTHARD. Now, Mr. Chairman, I want to make it clear that these two tables (tables VI and VII) and the corresponding summary item on the master table (table I) do not cover payments of interest and amortization to the United States Government. You have a separate table on that (table V).

The CHAIRMAN. But there are two tables, that is receipts from them and the payments?

Mr. SOUTHARD. It is the other way around, the payments to the Western Hemisphere and receipts from the Western Hemisphere.

The CHAIRMAN. Those ought to be right together in the record so that it will be readily understood.

Mr. SOUTHARD. Yes, sir.

The CHAIRMAN. Now, is there any place where these things are all thrown together? Does this show the balance of payments?

Mr. SOUTHARD. This table [indicating table I] is the master table.

The CHAIRMAN. That is the master table, but what I want to know is, is there a detailed table where these two blocks of figures are thrown together any place?

Mr. SOUTHARD. No. This item right here [indicating] throws it together.

The CHAIRMAN. It is not in detail anywhere?

Mr. SOUTHARD. No.

The CHAIRMAN. We would have to take it and figure it out to get it. Does this show it [indicating]?

Mr. SOUTHARD. Yes; you are quite right. This is the table you asked for. You have that, and that is the right one [table VIII].

OVER-ALL RECEIPTS AND OVER-ALL PAYMENTS

The CHAIRMAN. I thought I asked for a table, but maybe I did not, that would show the over-all receipts of these countries resulting from one thing or another and the over-all payments.

Mr. SOUTHARD. On this last column here you get tourist credits, interest, and so forth. These [indicating table I] are items on government account and these [indicating] are items on private account, and here are the other miscellaneous items, and we have a break-down of these items, country by country, and they aggregate the amount on the master table.

This is this table again, but turned around [table VIII]. Instead of having these headings down here [indicating] you get them across the top.

The CHAIRMAN. This does not show their imports from ECA, does it?

Mr. SOUTHARD. Not the commodities.

The CHAIRMAN. Not the commodities?

Mr. SOUTHARD. No, sir. We thought we were speaking just of the invisible items that you have in the brown book.

Mr. NITZE. It is in the brown book country by country.

Mr. SOUTHARD. We were testifying only on the invisible items, and those were prepared on that basis.

The CHAIRMAN. These do not include the imports from ECA and shipments to us?

Mr. SOUTHARD. No, sir, nor do they include the ocean freight item.

The CHAIRMAN. And those things are in the brown book?

Mr. NITZE. That is right. It is summarized country by country in the brown book.

Mr. SOUTHARD. It would be a matter of adding an export-import column and an ocean shipping column to the four columns you have here.

SOURCES OF CREDITS TO FINANCE ERP REQUIREMENTS OUTSIDE OF ECA FUNDS AND DOLLAR EARNINGS

Mr. WIGGLESWORTH. In the over-all table given us for this program, there is a column entitled "Loans and credits."

The CHAIRMAN. On page D–4; is it?

Mr. WIGGLESWORTH. On page D–6.

There is a column numbered three entitled "Loans and credits," agregating $2,136,000,000. Of that total, $822,000,000 is carried as a loan or credit; although it is, in fact, a requested appropriation for the government and relief of the occupied areas.

How much responsibility, if any, does the Treasury assume for the balance of that total, which I understand reflects some $700,000,000 anticipated contributions from Western Hemisphere countries other than the United States, about $500,000,000 from the Export-Import Bank and the International Bank, and about $85,000,000 in cash settlements of the deficits of Portugal, Turkey, and Switzerland

Mr. SOUTHARD. Could I hand you a table which breaks down the figures with which you started? We are satisfied on the basis of the studies that the State Department and the Treasury Department have made that these estimates are satisfactory working estimates.

(See table IX, on p. 920.)

As you will see, that $700,000,000 for the Western Hemisphere includes $150,000,000 from Canada and $400,000,000 from Argentina.

Now, I think it is worthwhile noting that the amount that we are estimating that Argentina would advance consists, in considerable part, of $300,000,000 of the so-called British Railway Deal.

Mr. WIGGLESWORTH. That is already completed.

Mr. SOUTHARD. That is right. Strictly speaking it is a misnomer to call that a credit because what has happened is that the British have sold their properties and are going to eat up in meat and food in almost one year the investment that they have built up there during almost the whole period of the modern development of Argentina. That is a non-recurring item. The Argentine Government has paid for the railroads substantially by setting up a line of credit, so to speak, against which Argentina will deliver food.

The CHAIRMAN. But they are paying for it by confiscating American property down there.

Mr. SOUTHARD. The Argentinians?

The CHAIRMAN. Yes.

Mr. SOUTHARD. In paying for this transaction?

The CHAIRMAN. Yes; indirectly that is the way it is working. It is just like the confiscation of the oil wells in Mexico.

Mr. SOUTHARD. The Argentinans have been very stubborn about releasing exchange for us to withdraw our earnings.

The CHAIRMAN. No, it is more than that. They have practically taken over $300,000,000 worth of property belonging to the United States down there and practically confiscated it.

Mr. SOUTHARD. I have no knowledge of that, Mr. Chairman.

The CHAIRMAN. It is about time that the Government began to realize that and began to operate. That is a part of the dictatorship program down there.

They are fixing it so that their property is not worth anything after years of development.

Mr. SOUTHARD. This railroad deal just means that the British have sold the railroads.

The CHAIRMAN. I understand that, but that is the way they are getting the wherewithal to pay for it.

Mr. CASE. Selling $5 grain.

Mr. SOUTHARD. They sold it for pesos and the British are spending the pesos to buy Argentine crops. I do not believe this deal should be linked with the $5 wheat. It is just a case of the British selling their investment, and spending the pesos to feed themselves.

Mr. CASE. Yes, it is a separate deal, but then if the Argentine Government makes a state monopoly of its surplus grain and then sets up the price at which it is going to market that grain it is buying the railroads at a substantial discount.

Mr. SOUTHARD. I do not see how we would link the two together at all, Mr. Congressman. The effort of the Argentinians to exercise a monopoly position, if they have one, and to get high prices for their commodities, I think is a separate problem which I was not speaking about. The question here is the credit that we can expect South America to extend to Europe during this period.

Mr. WIGGLESWORTH. From the over-all angle, the thing I note is that outside of the Bizone GARIOA appropriation you only estimate something over $1,315,000,000.

Mr. SOUTHARD. Yes, sir; that is correct.

Mr. WIGGLESWORTH. According to whether you take that figure or some other figure, the over-all amount required for ECA, of course, varies.

Mr. SOUTHARD. This figure, we think, is an optimistic figure, Mr. Wigglesworth.

Mr. WIGGLESWORTH. I want to know why you think we can only get $700,000,000 from other Western Hemisphere countries, and why you think we can only hope to get $500,000,000 from the International Bank and the Export-Import Bank and private sources, and why there is nothing in there, for instance, from the collateral loan that Mr. Case spoke about earlier this morning, and why there is no contribution from other investments or gold available to participating countries. What is the over-all situation?

Mr. SOUTHARD. The capacity of the Western Hemisphere countries to extend credit to Europe is directly related to their gold and dollar reserve position.

Mr. WIGGLESWORTH. The Foreign Affairs Committee says, in reference to contributions from other Western Hemisphere countries that $700,000,000 to them—

seems rather low in the light of the favorable international position of certain of the Latin-American countries, notably Cuba, Argentina, and Brazil, and in view of the plans to spend 1.7 billion dollars of the 6.8 billion dollars in offshore procurement in Latin-American countries.

You do not even mention Cuba or Brazil in this connection.

(Discussion off the record.)

Mr. WIGGLESWORTH. The countries mentioned specifically were Cuba, Argentina, and Brazil.

Mr. SOUTHARD. As to Argentina and Brazil our analysis is that they are in a weak position in their international financial accounts. Cuba is not. This [indicating table X] shows the decline in the gold and dollar reserves of Argentina and Brazil, and you will see in the very countries you have mentioned that there is a tremendous decline in their reserves. They are literally living off of their gold and dollars. Cuba is in a reasonably good position, and we think that Cuba ought to be able to extend some credits. We cannot predict that they will because it is going to be a matter of a good deal of negotiation with those countries.

The CHAIRMAN. Canada is not on there?

Mr. SOUTHARD. No, sir.

Mr. GLENDINNING. We have separate tables for Canada.

Mr. WIGGLESWORTH. Surely, if we are going to spend 1.7 billion dollars in offshore procurement in Latin-American countries that ought to make possible some contribution in terms of credit, should it not?

Mr. SOUTHARD. We hope that there will be more than $700,000,000, but from our study of the situation we cannot honestly predict a larger amount.

The CHAIRMAN. A good part of that $300,000,000 is gone already out of that British railroad deal.

Mr. SOUTHARD. They will eat it up before June 30, 1949.

The CHAIRMAN. A good deal of it is gone already.

Mr. SOUTHARD. Yes, sir; I think during this whole 12 months' period they will be eating out of that.

Mr. WIGGLESWORTH. Strictly speaking it means that the British have arranged to procure foodstuffs for sterling which it had previously thought would require dollars, does it not?

Mr. SOUTHARD. That is the effect of that.

Mr. WIGGLESWORTH. So, in theory, we ought to reduce the number of dollars required for the over-all picture.

Mr. SOUTHARD. That is why we have it in here. It reduced the need by $300,000,000 and that sum was deducted from Great Britains' needs in arriving at the estimate of $5,300,000,000 in aid for the ERP countries. If the British had not been able to obtain that we would have faced the problem of how they were going to pay for meat.

Mr. WIGGLESWORTH. It really means that your estimate as to help from other Western Hemisphere countries is reduced to about $400,000,000.

Mr. SOUTHARD. From the standpoint of the Argentine balance of payments that $300,000,000 is legitimately included because that means that Argentina is not going to get dollars for that meat and that food. They are going to get nothing except railroads from the standpoint of the Argentine economy. If we are trying to figure out how much their balance of payments can stand in the way of extending credits to Europe, they call face a grievous dollar problem, except Cuba, and one or two other minor exceptions; it is an acute problem for them, how can they sell to Europe for local currency and then balance their accounts with the United States.

Latin America historically has been in one point of a triangle. They are expected to sell to Europe for dollars and then buy goods from us with those dollars, but unfortunately that triangle has now broken down.

Mr. WIGGLESWORTH. Of course, I realize that all of these figures are guesses. There is no man living, in my judgment, who can tell with any certainty within a billion dollars what will prove to be required for ECA during the first 12 months.

Mr. SOUTHARD. I certainly agree with you, Mr. Congressman, that these are estimates, and nobody can prove exactly the margin of error that there is in them.

Mr. WIGGLESWORTH. But this particular "guesstimate" seems to me to be very much on the low side.

EXTENSION OF CREDIT BY THE INTERNATIONAL BANK AND THE EXPORT-IMPORT BANK

Take the next item, why do you pull help from the International Bank and the Export-Import Bank down to $125,000,000 and $95,000,000, respectively?

Mr. SOUTHARD. The item of "other," would be new International Bank credits.

Mr. WIGGLESWORTH. Well, you have suggested about $400,000,000 then including possible private investment, from those two institutions. It has been suggested that we might well expect $900,000,000 from these two sources; as compared with the $400,000,000 you are suggesting.

Mr. SOUTHARD. In the case of the International Bank there is nothing that the president of the bank has said in testimony which entitles us to put anything down for them. When we put $130,000,000 to $230,000,000 down and say we expect most of it to come from them, that is nothing but a guess on our part unless the International Bank will tell you that they are prepared to do better than that. They have not actually said that they will do anything in this first year under ERP, and even including $230,000,000 is the greatest amount of optimism on our part.

Mr. WIGGLESWORTH. Let me quote from the report of the Committee on Foreign Affairs in this connection. It says:

> In the light of information already made public this appears to be a conservative estimate. Total gold and dollar assets of the International Bank, as of December 31, 1947, totaled $687,000,000. Of this amount about $197,000,000 represented loans authorized but not disbursed, leaving a net free United States dollar balance of $490,000,000. The United States is committed to a guaranty toward repayment of securities of the bank up to a total of $3,175,000,000, of which $855,000,000 have been issued to date. The remaining free United States guaranty thus amounts to $2,290,000,000, and the total actual and potential United States resources of the bank amount to $2,780,000,000.
>
> Although there has been testimony by qualified experts to the effect that it will not be feasible for the International Bank to finance more than 200 to 250 million dollars of the cost of foreign economic recovery in the initial 12-month period, the committee believes that this figure is too conservative and that the bank may well be able to support a larger figure.

Mr. SOUTHARD. Mr. Congressman, I am aware that that is what the committee said it believed, but unless the administration of the bank will change its testimony which was given before the Congress, I do not see how we can proceed on any other basis than to take their

testimony. However, we have not taken their testimony literally, and we have been pretty optimistic in putting the figure in which we have put in. We have little warrant for estimating as much as we have estimated.

I think, however, that there is this to be said about it, that we have no way of knowing what the attitude of some of the countries would be in this hemisphere, including Canada, if the Export-Import Bank as a matter of public policy were to suggest to them that they extend credit to European countries as a means of spreading the credit load, so to speak.

In effect, the $300,000,000 loan to Canada by the Export-Import Bank was that sort of an arrangement. We assumed that some of that may go on, but for us to assume any particular amount of new Export-Import Bank credits to Latin-American countries for the purpose of enabling them, in turn, to make credits available to Europe would be assuming a line of public policy which we do not think would be warranted.

Mr. WIGGLESWORTH. Quoting further in reference to the Export Import Bank—

The net free lending balance of the Export-Import Bank on December 31, 1947, amounted to $497,000,000. Scheduled repayments of loans outstanding for three-quarters of 1948 and one-half of 1949 (15 months) amount to $136,000,000, and the undisbursed balance of outstanding loans to the CEEC countries amounts to over $312,000,000. Total available dollar resources of the Export-Import Bank, as of December 31, thus amounted to approximately $845,000,000.

Relative conservatism will naturally be exercised in the extension of Export-Import credit as such. Even so, the inclusion of $200,000,000 as a likely estimate of dollar funds that might be made available to the ERP countries by the bank does not seem unreasonable.

Mr. SOUTHARD. If it is going to be the policy for the Export-Import Bank in addition to the ERP or aside from the ERP to make loans to Europe, all right. If you put in additional Export-Import loans you may reduce the new ECA loans and possibly be able to readjust the figures, but that is just a question of which governmental agency is going to be lending the money. If the Export-Import Bank will lend more, the Administrator will use less dollars.

Mr. WIGGLESWORTH. But this, as I understand it, proceeds on an estimate of the capacity of the bank, wholly apart from the ERP funds.

Mr. SOUTHARD. You see, those undisbursed Export-Import Bank credits are credits of the European countries already outstanding and they will go on using them, while the estimate of $130,000,000 to $230,000,000 following the caption "other" would include both new International Bank loans and any new Export-Import Bank loans. We assumed that once Congress set up ERP and designated the Export-Import Bank as the lending agency that in all probability it would not then expect or look to the Export-Import Bank to make sizable new loans to the ERP countries, though it might make minor loans for special purposes.

Therefore, we did not include substantial new loans by the Export-Import Bank in that figure. If you will assume—let us take any figure—$300,000,000—of new Export-Import Bank loans to Europe, that would be, from a policy point of view, a new consideration, but it would raise the question——

Mr. NITZE. You could only include in here a draw-down within the 12-month period.

Mr. WIGGLESWORTH. That is right. What is the total?

Mr. NITZE. Certainly, the executive branch has had no evidence at all to warrant any higher figure than this $130,000,000 to $230,000,000 estimate. Everybody who has worked on this problem agrees that is a generous, optimistic estimate and not a low one.

ESTIMATED GOLD AND DOLLAR ASSETS OF FOREIGN COUNTRIES

Mr. WIGGLESWORTH. What is the over-all investment in this country for the ERP countries?

Mr. SOUTHARD. That is in this table here [indicating table XI].

(See table XI on p. 921.)

The CHAIRMAN. I want that table to go into the record.

Mr. WIGGLESWORTH. What is the over-all investment in this country of the participating countries?

Mr. SOUTHARD. This is a table which I think you would want on that [submitting]. The total of gold and dollars, including long-term assets, for the countries that are going to receive aid, excluding Switzerland and Portugal, is 9.4 billion dollars. The long-term investments are $4,039,000,000. The third figure from the left, or the middle figure, is the sum of the first two figures. It is the sum of the gold and the short-term balances, or $5,361,000,000. Incidentally, this table covers also the reserve position of the Latin-American countries, country by country.

(The table referred to is as follows:)

Estimated total gold [1] and short-term dollar balances [2] of foreign countries and areas, June 30, 1945, Dec. 31, 1946, and Dec. 31, 1947

[In millions of dollars]

Country or area	As of June 30, 1945	As of Dec. 31, 1946	As of Dec. 31, 1947	Increase (+) or decrease (−) from 1946 to 1947 (column III−column II)
	I	II	III	IV
European recovery countries:				
Belgium and Luxembourg	877	917	744	−173
Denmark	58	105	85	−20
France	2,422	1,117	[3] 718	−399
Netherlands	627	632	387	−245
Norway	316	216	131	−85
Sweden	645	554	164	−390
Turkey	286	292	207	−85
United Kingdom	2,695	2,870	2,351	−519
Other ERP [4]	577	686	574	−112
Total, other than ERP cash-basis countries	8,503	7,389	5,361	−2,028
Cash-basis countries:				
Portugal	462	472	[5] 361	−111
Switzerland	1,509	1,795	1,791	−4
Total, cash-basis countries	1,971	2,267	2,152	−115
Total, ERP	10,474	9,656	7,513	−2,143

See footnotes at end of table, p. 909.

Estimated total gold [1] and short-term dollar balances [2] of foreign countries and areas, June 30, 1945, Dec. 31, 1946, and Dec. 31, 1947—Continued

[In millions of dollars]

Country or area	As of June 30, 1945 I	As of Dec. 31, 1946 II	As of Dec. 31, 1947 III	Increase (+) or decrease (−) from 1946 to 1947 (III−II) — IV
Europe, non-ERP:				
Estonia	17	17	17	----------
Finland	11	22	31	+9
Hungary	25	42	42	----------
Latvia	20	20	20	----------
Lithuania	12	12	11	−1
Spain	142	127	123	−4

[1] Official figures were used for gold, wherever available. Data represent total holdings of governments and central banks without regard to location of such holdings. Estimates have been used for those countries which do not publish figures on their gold.

[2] Short-term dollar balances (official and private) are composed principally of deposits in American banks and holdings of U. S. Government bills and certificates. The figures used in the table are gross and do not include short-term claims on foreigners payable in either dollars or foreign currencies.

[3] Includes $104,000,000 in gold received in November 1947 from the Tripartite Commission for the Restitution of Monetary Gold. As of Dec. 31, 1947, most of the $104,000,000 was set aside as collateral for loans.

[4] Includes holdings of Iceland, Austria, Eire, Greece, Italy, Germany, and large gold holdings by the Tripartite Commission for the Restitution of Monetary Gold.

[5] Based upon estimate of $390,000,000 for June 30, 1947, adjusted for sale of gold to the United States.

ESTIMATED TOTAL GOLD AND SHORT TERM DOLLAR BALANCES OF FOREIGN COUNTRIES AT VARIOUS PERIODS

This other table shows the movement in reserves since the war (table XII).

(See table XII on p. 920.)

The CHAIRMAN. There seems to be about $3,000,000,000, over-all, that is in "Other than ERP countries."

Mr. SOUTHARD. Other than in cash-basis countries.

The CHAIRMAN. And there is nothing there in the nature of long-term items, is there; in this "Other than the 16 countries," there is nothing in the nature of long-term investments?

Mr. SOUTHARD. Yes.

The CHAIRMAN. Yes; there is $900,000,000. Is that all Switzerland?

Mr. SOUTHARD. That is the $891,000,000 figure.

The CHAIRMAN. That is Switzerland?

Mr. SOUTHARD. That is the long-term investments for cash-basis countries.

The CHAIRMAN. They have $891,000,000?

Mr. SOUTHARD. Yes.

The CHAIRMAN. There is nothing of that character for Czechoslovakia or Yugoslavka or Roumania or Bulgaria?

Mr. SOUTHARD. That is under "Other Europe, non-ERP."

The CHAIRMAN. You gave them quite a little item, did you not?

Mr. SOUTHARD. Yes, $568,000,000. You notice we estimate the greater part of that is gold, $473,000,000, and they have it at home. It is a remnant of the gold reserve that they hang onto, which seems to them to be a last resource.

The later tables show the Latin-American position and show, even in the case of Argentina, at the end of last year, they had left only $555,000,000 of gold and short-term dollar balances, as of December 31, 1947.

The other table (table XII) shows the same general break-down, but you will see on the second page of it, showing the movement, it does not give the break-down of all the countries. We just wanted to show the general movement of the assets.

Mr. WIGGLESWORTH. Now, would the British collateral Mr. Case referred to be included in that figure?

Mr. GLENDINNING. Yes; it is included in the British figure.

Mr. WIGGLESWORTH. Then the total over-all figure for the participating countries, excluding Portugal and Switzerland, is estimated at $9,400,000,000?

Mr. SOUTHARD. That is right.

Mr. WIGGLESWORTH. And no part of that, is contemplated, to be used to meet the requirements of ERP?

Mr. SOUTHARD. Not for collateral loans, but we think it is certain that during the program they will have to continue in some countries to draw on their gold and dollar reserves, because this program is not going to meet all of the basic, essential needs of those countries.

Mr. WIGGLESWORTH. But in figuring loans and credits, so-called, in the over-all table, which are deducted from needs, in order to arrive at an over-all figure for the first 12 months of the program, no part of this $9,400,000,000 is included?

Mr. SOUTHARD. That is right. I think we want to be sure, of course, it is understood that the gold, which amounts to $4,072,000,000—and I think we can say this without any exaggeration—in every case has now reached the point where, with the possible exception of Belgium, any further reductions in the gold reserves become a matter of great national concern. Take, for example, the French case, $550,000,000 in gold. That is a publicly known figure in France. They cannot reduce that figure without going to parliament and asking authority to shift gold from the reserve of the Bank of France, over to their stabilization fund for sale to us. Once they do that, it is a sign to the French public that this figure—which, tragically enough, is about $2,000,000,000 under their holdings at the end of the war and is now down to $550,000,000—that that last solid remnant of their reserve is beginning to dwindle.

In the case of the Netherlands, $244,000,000, that is a sort of sacred figure. They have said, literally, they would rather do without and cut down their imports to the bone than to have to state to the public they have spent all of their gold reserve, which is now down to about 10 percent of the cover, and say the remainder is going to have to be sold.

Mr. CASE. That would be, of course, to protect them. They would do without a loan until they get it built up.

Mr. SOUTHARD. Evidently.

PRIVATE GOLD HOLDINGS IN FRANCE

Mr. CASE. What would you have to say with respect to France, where reports have appeared in the press of $1,000,000,000 to $2,000,000,000 of gold being privately held?

Mr. SOUTHARD. Without commenting on the figure—because we have tried our best to search back and make estimates—there is undoubtedly a very considerable amount of gold and maybe a certain amount of dollar currency hoarded in France and hoarded in all of the other countries. Probably a substantial amount is hoarded in France, because they have been gold hoarders for many years.

I do not know of any way history can show us to get that out of private hoards short of stabilization in France. Those people—the peasants and the rest of the people—have it. The bayonet does not bring it out. The efforts of the Nazis to frighten them, by insisting on calling in everything, did not bring it out of hiding. The Germans, when they went into France, called in all of the national assets, but that had no effect. Gold is hidden under the beds, under the floors, and you would have to use the most ruthless means to get it out. The French have an internal gold market, and, among other things, as a part of this effort you said you admired, they are hoping that the gold market, which is now legal, might bring that gold out in the open, although at pretty high prices. Some may come out when the people have to sell it in order to live, but I do not believe any considerable amount will come out of hiding except under the same circumstances which brought it out in the twenties. When you get real stabilization in the country, out it comes. It is tantalizing to think it is there, but I do not know how to get it out.

Incidentally, of course, that is not included in these figures; these figures here are the mobilized reserves, and there is no use trying to add the others.

Mr. CASE. I recognize that. I thought it was obvious from the $550,000,000 estimate that it does not include the hoarded gold.

AVAILABILITY OF RESERVES OF GOLD AND DOLLARS HELD BY SWITZERLAND, PORTUGAL, AND TURKEY

Mr WIGGLESWORTH. I notice one other statement in this report of the Committee on Foreign Affairs. It says:

According to United States Treasury officials the excess gold and dollar balances of Switzerland, Portugal, and Turkey amount to 1.5 billion dollars. Since this is free gold, in the sense that it is not needed as currency reserve, it might advantageously be used to help implement the ERP philosophy of mutual aid. These three countries were all participants in the Paris Conference and it is to be hoped that some of this might be available in the form of long-term loans to participating countries that are experiencing serious balance-of-payments difficulties.

Mr. SOUTHARD. We hope Switzerland is going to do something. You will notice we have possible Swiss credits on the other table (table IX) of $50,000,000 to $125,000,000. The Swiss gold position is good. I think really the Swiss problem is not one of lack of gold reserves against which to make credits; it is much more a problem of the Swiss having to maintain a certain volume of imports in order to be able to stabilize their economy and continue to export. They are so dependent on the flow of imports to keep their industries going that if they extend credits beyond a certain point and do not get enough imports, it means they face an inflationary problem, because the money they spend goes out and the raw materials do not come in.

Mr. WIGGLESWORTH. Is the 1.5 billion dollars referred to by the Foreign Affairs Committee with reference to Switzerland, Portugal, and Turkey included in the 9.4 billion dollars?

Mr. SOUTHARD. No, sir; here is the table of their gold position in dollars [submitting]. In the meantime, since the earlier figures, the administration has shifted Turkey out of the cash basis group, because Turkey's position has deteriorated somewhat.

Mr. WIGGLESWORTH. In other words, the 1.5 billion dollars referred to by the Foreign Affairs Committee is included in the 12.4 billion dollars?

Mr. SOUTHARD. That is right. I would like to check that figure.

Mr. WIGGLESWORTH. And that 1.5 billion dollars has not been included in the column 3 of the over-all table entitled "Loans and Credits"?

Mr. SOUTHARD. That is right; except insofar as you have an item of 50 to 125 million dollars here for Switzerland on the table of possible Swiss credits. I would like to check back on the figure you have read there in the report of the committee saying that Switzerland, Portugal, and Turkey had 1.5 billion dollars in excess reserves. In Switzerland and Portugal, in the reserve figures given us as the official figures, there is only 1.3 billion dollars all told in gold, and I really would not suppose any considerable part of that is excess to the internal reserve requirements.

May I have the privilege of checking that and submitting a statement?

Mr. WIGGLESWORTH. Certainly.

(The following was submitted later:)

AVAILABILITY OF RESERVES OF GOLD AND DOLLARS HELD BY SWITZERLAND, PORTUGAL, AND TURKEY FOR EXTENSION OF CREDITS UNDER ECA

In a report submitted to the Senate Finance Committee by the National Advisory Council on international monetary and financial problems on December 18, 1947, it was estimated (p. 62) that the gold and dollar reserves held by Switzerland, Portugal, and Turkey as of June 30, 1947, exceeded by approximately 1.5 billion dollars the amounts needed to finance the current flow of their international trade and to serve as backing for their currencies.

Switzerland accounted for the preponderance of this total. The Swiss normally have held reserves substantially in excess of their own requirements as an offset to the large volume of foreign funds which is held in the form of Swiss francs. The Swiss authorities feel that it is necessary to maintain a large reserve because of the possibility that these foreign deposits may be withdrawn in the future. A substantial part of the gold and dollars held by Switzerland probably represents funds transferred to Switzerland from eastern Europe during the past 10 years. Since the owners may not prove to be permanent residents of Switzerland, the funds may not be available for lending abroad to the same extent as funds owned by permanent Swiss residents. The executive branch agrees that the Swiss should be encouraged to assist the recovery program by extending credits in gold or dollars to other European countries. However, Switzerland is a sovereign country and is not receiving financial assistance from the United States. In table IX an estimate of such credits has been included in an amount of 50 to 125 million dollars.

With respect to Portugal and Turkey the amount of excess reserves as of June 30, 1947, was estimated at about $300,000,000. During the second half of 1947, this margin was reduced almost 50 percent, and further drawings upon reserves have been taking place during the first 4 months of 1948. As a result of this decline, Turkey has been removed from the category of cash basis countries and included with the group of countries to receive financial assistance. While Portugal still has some small margin for minimum requirements, this is not likely to exceed the amount of its own net deficit on current account during the fiscal year 1948–49.

Mr. WIGGLESWORTH. I believe that is all, gentlemen.
Mr. SOUTHARD. Thank you very much, sir.

LIST OF TABLES SUBMITTED BY TREASURY TO THE HOUSE APPROPRIATIONS COMMITTEE

I. Invisible items for all participating countries (with Western Hemisphere)—Fiscal year 1948–49.
II. Invisible items for all participating countries (all areas)—April 1, 1948–June 30, 1949.
III. Invisible items for all participating countries (all areas)—April 1, 1948–June 30, 1948.
IV. Invisible items for all participating countries (all areas)—Fiscal year 1948–49.
V. Estimated interest and amortization payments of ERP countries on outstanding United States Government credits.
VI. Payments of interest, profits, amortization and dividends (other than on United States Government credits) by particpating countries—Fiscal year 1948–49.
VII. Receipts of interest, profits, amortization and dividends from the Western Hemisphere by participating countries—Fiscal year 1948–49.
VIII. Invisible items in participating countries balance of payments—Fiscal year 1948–49.
IX. Sources of credits to finance ERP requirements outside of ECA funds and dollar earnings.
X. Estimated total gold and dollars of Latin American countries as of December 31, 1946 and 1947.
XI. Estimated gold and dollar assets of foreign countries as of December 31, 1947.
XII. Estimated total gold and short-term dollars balances of foreign countries and areas—June 30, 1945, December 31, 1946 and December 31, 1947.

TABLE I.—*Invisible items (excluding ocean freight) for all participating countries, fiscal year 1948–1949*

	Total, Western Hemisphere		United States		Other Western Hemisphere	
	Millions of dollars	Percent	Millions of dollars	Percent	Millions of dollars	Percent
Tourism:						
Payments	66.5	6	49.6	8	16.9	4
Receipts	106.1	25	227.8	28	79.3	19
Net	+240.6		+178.2		+62.4	
Interest and Amortization on U. S. Government Credits:						
Payments	204.1	20	204.1	33		
Receipts						
Net	−201.1		−204.1			
Interest, profits, amortization and dividends:						
Payments	363.5	36	154.8	25	208.7	54
Receipts	518.6	43	244.3	31	274.3	66
Net	+155.1		+ 89.5		+65.6	
Other:						
Payments	381.8	38	214.5	34	166.4	42
Receipts	385.8	32	322.9	41	62.9	15
Net	+4.0		+107.5		−103.5	
Total:						
Payments	1,015.9	100	623.9	100	392.0	100
Receipts	1,211.5	100	795.0	100	416.5	100
Net	+195.6		+171.1		+24.5	

TABLE II.—*Invisible items (excluding ocean freight) for all participating countries Apr. 1, 1948–June 30, 1949 (at July 1, 1947 prices)*

[Millions of dollars]

	Total, Western Hemisphere	United States	Other Western Hemisphere	Other nonparticipating	Participating
Tourism:					
Payments	79.7	60.6	19.1	24.1	292.5
Receipts	379.2	282.7	96.5	35.8	292.5
Net	+299.5	+222.1	+77.4	+11.7	
Interest and amortization on U. S. Government credits:					
Payments	287.2	287.2			
Receipts					
Net	−287.2	−287.2			
Interest, profits, amortization, and dividends:					
Payments	445.8	184.8	261.0	81.3	431.6
Receipts	637.4	302.8	334.6	411.6	431.6
Net	+191.6	+118.0	+73.6	+330.3	
Other:					
Payments	463.5	263.3	200.2	57.5	535.5
Receipts	473.9	398.4	75.5	155.6	535.5
Net	+10.4	+135.1	−124.7	+98.1	
Total:					
Payments	1,276.2	795.9	480.3	162.9	1,259.6
Receipts	1,490.5	983.9	506.6	603.0	1,259.6
Net	+214.3	+188.0	+26.3	+440.1	

TABLE III.—*Invisible items (excluding ocean freight) for all participating countries Apr. 1, 1948–June 30, 1948 (at July 1, 1947, prices)*

[Millions of dollars]

	Total, Western Hemisphere	United States	Other Western Hemisphere	Other nonparticipating	Participating
Tourism:					
Payments	13.2	11.0	2.2	4.0	56.3
Receipts	72.1	54.9	17.2	8.1	56.3
Net	+58.9	+43.9	+15.0	+4.1	
Interest and amortization on U. S. Government credits:					
Payments	83.1	83.1			
Receipts					
Net	−83.1	−83.1			
Interest, profits, amortization, and dividends:					
Payments	82.3	30.0	52.3	18.5	95.3
Receipts	118.8	58.5	60.3	90.7	95.3
Net	+36.5	+28.5	+8.0	+72.2	
Other:					
Payments	81.7	47.9	33.8	24.9	104.9
Receipts	88.1	75.5	12.6	9.0	104.9
Net	+6.4	+27.6	−21.2	−15.9	
Total:					
Payments	260.3	172.0	88.3	47.4	256.5
Receipts	279.0	188.9	90.1	107.8	256.5
Net	+18.7	+16.9	+1.8	+60.4	

TABLE IV.—*Invisible items (excluding ocean freight) for all participating countries, fiscal year 1948–49 (at July 1, 1947 prices)*

[Millions of dollars]

	Total, Western Hemisphere	United States	Other Western Hemisphere	Other nonparticipating	Participating
Tourism:					
Payments	66.5	49.6	16.9	20.1	236.2
Receipts	307.1	227.8	79.3	27.7	236.2
Net	+240.6	+178.2	+62.4	7.6	----------
Interest and amortization on U. S. Government credits:					
Payments	204.1	204.1	----------	----------	----------
Receipts	----------	----------	----------	----------	----------
Net	−204.1	−204.1	----------	----------	----------
Interest, profits, amortization, and dividends:					
Payments	363.5	154.8	208.7	62.8	336.3
Receipts	518.6	244.3	274.3	320.9	336.3
Net	+155.1	+89.5	+65.6	+258.1	----------
Other:					
Payments	381.8	215.4	166.4	32.6	430.6
Receipts	385.8	322.9	62.9	146.6	430.6
Net	+4.0	+107.5	−103.5	+114.0	----------
Total:					
Payments	1,015.9	623.9	392.0	115.5	1,003.1
Receipts	1,211.5	795.0	416.5	495.2	1,003.1
Net	+195.6	+171.1	+24.5	+379.7	----------

TABLE V.—*Estimated interest and amortization payments of ERP countries on outstanding U. S. Government credits* [1]

[In millions of dollars]

Country	April–June, 1948		1948–49	
	Interest	Amortization	Interest	Amortization
Austria:				
Export-Import Bank loan	----------	----------	0.4	----------
Surplus property credit	----------	----------	.2	----------
War Assets credit [2]	----------	----------	.3	2.0
Total	----------	----------	.9	2.0
Belgium-Luxemburg:				
Export-Import Bank loan	----------	5.0	[3] 4.2	11.8
Surplus property credit	----------	----------	1.2	1.6
Total	----------	5.0	5.4	13.4
Denmark:				
Export-Import Bank loan	0.2	----------	.4	----------
Surplus property credit	----------	----------	.3	----------
Total	.2	----------	.7	----------
France:				
First Export-Import Bank loan	6.1	9.2	12.4	18.3
Second Export-Import Bank loan	8.0	----------	19.0	----------
Lend-lease	14.0	----------	7.3	----------
OFLC credit	----------	----------	6.6	----------
Maritime Commission credit	----------	----------	1.3	2.4
Total	28.1	9.2	46.6	20.7

See footnotes at end of table, p. 916.

TABLE V.—*Estimated interest and amortization payments of ERP countries on outstanding U. S. Government credits* [1]—Continued

Country	April–June, 1948		1948–49	
	Interest	Amortization	Interest	Amortization
Greece: [4]				
OFLC credit [5]			1.0	
Export-Import Bank loan [6]			.2	
Total			1.2	
Italy:				
Export-Import Bank loan		5.7	1.3	3.0
Surplus property credit			4.2	
Maritime Commission credit			2.1	3.9
Total		5.7	7.6	6.9
Netherlands:				
First Export-Import Bank loan	.3	.4	1.1	1.7
Second Export-Import Bank loan	.4		1.5	
Lend-lease	.2		.7	
Surplus property	.1		.6	
Third Export-Import Bank loan	1.0	19.8	4.0	39.2
War Assets credit	.2		.6	
Export-Import Bank loan to KLM				.2
Total	2.2	20.2	8.5	41.1
Netherlands East Indies OFLC credit	1.0		2.0	
Total	1.0		2.0	
Norway:				
War Assets credit [7]			.4	2.0
Surplus property credit [8]			.1	
Export-Import Bank loan	.5		1.5	1.4
Maritime Commission credit			.4	1.1
Total	.5		2.4	4.5
Turkey:				
OFLC credit		.6	.1	.6
Maritime Commission credit	.1		.2	.3
Export-Import Bank loan		.2		.8
Total	.1	.8	.3	1.7
United Kingdom:				
RFC loan	2.0	8.0	6.0	34.0
United States credit				
Lend-lease and surplus property				
Total	2.0	8.0	6.0	34.0
Grand total	34.1	48.9	81.6	124.3

[1] Other countries participating in the European recovery program have received no loans or credits from the U. S. Government on which payments will be made during the above cited periods. Germany, however, has to make repayment of amounts utilized from the CCC and RFC advances covering cotton and other raw materials shipments. These advances will be repaid from the proceeds of the sale of the finished goods; hence there is no firm repayment schedule. This table does not include dollar loans made by the International Bank for Reconstruction and Development.

[2] Assuming 50 percent of purchases are consumer goods.

[3] Interest on the recent $50,000,000 loan is included; such interest was excluded from earlier estimates because the rate had not been decided.

[4] Excludes payments due to U. S. Maritime credits since these are made by private Greeks located outside of Greece and therefore do not enter Greece balance of payments. As of November 1947 Greek shipowners had made some prepayments. On the assumption that no further prepayments are made, payments are estimated as follows:

Maritime Commission Credit:

April–June	1948–1949		1949–1950		1950–1951		1951–1952		Total	
	1.3	2.3	1.3	2.4	1.3	2.5	1.1	2.5	4.9	9.7

[5] Assume $43,000,000 credits drawn on by end of fiscal 1957–48 and $55,000,000 used by and of fiscal 1948–49.

[6] Assumes $8,000,000 credits drawn on by end of fiscal 1947–48 and $12,000,000 used by end of fiscal 1948–49.

[7] Assuming 50 percent of purchases will be consumer goods.

[8] Assuming use of $5,000,000 of total authorized.

TABLE VI.—*Payments of interest, profits, amortization and dividends (other than on U. S. Government credits) by participating countries (item 53) fiscal year 1948–49*

Country	United States	Other Western Hemisphere	Explanation
Austria			
Belgium-Luxemburg	1.0	17.0	Payments to United States consist of interest and amortization on dollar bond issue; payments to other Western Hemisphere consist of profits and dividends on private investments and $6,000,000 of interest and amortization on the Canadian credit.
Belgium-Luxemburg dependent overseas territories.			
Denmark	10.3	1.0	Payments to United States consist of interest and amortization on dollar bond issue; and profits and dividends on private United States investments. Payments to other Western Hemisphere consist of profits and dividends on private investments.
France	26.7	13.0	Payments to United States consist of $10,600,000 interest on IBRD loan and $16,100,000 on United States private investment in France. Payments to other Western Hemisphere are interest and amortization on Canadian credit.
French dependent overseas territories.	4.0	1.0	Profits and dividends on private investments.
Greece			
Iceland			
Ireland			
Italy	4.6	7.6	Payments to United States consist of interest and amortization on dollar bond issue. Payments to other Western Hemisphere are interest and amortization on Argentine credit.
Netherlands	9.4	4.0	Payments to United States consist of $8,000,000 interest on IBRD loan and $1,400,000 interest and amortization on dollar bond issue. Payments to other Western Hemisphere are interest and amortization on Canadian credit.
Netherlands dependent overseas territories.	8.0		Payments to United States consist of profits and dividends on United States investments.
Norway	9.6		Payment to United States consists of interest and amortization on dollar bond issue; interest on $16,000,000 revolving credit by private United States banks; and profits and dividends on private investment.
Portugal	.2	.1	Interest and dividends on private investments.
Portuguese dependent overseas territroies.			
Sweden	4.0		Profits and dividends on United States private investments.
Switzerland	30.0	20.0	Profits and dividends on United States and other Western Hemisphere private investments.
Turkey			
United Kingdom	47.0	145.0	Payments to United States consist of profits and dividends on United States investments in the United Kingdom. Payments to other Western Hemisphere consist of $100,000,000 amortization on Canadian loan; and profits, dividends and interest on other Western Hemisphere long- and short-term investments in the United Kingdom.
United Kingdom, dependent overseas territories.			
Western Germany, bizone.			
Western Germany, French zone.			
Western Germany, Saar.			
Total	154.8	208.7	

TABLE VII.—*Receipts of interest, profits, amortization, and dividends from the Western Hemisphere, by participating countries, fiscal year 1948–49*

Country [1]	United States	Other Western Hemisphere	Comments
	Millions	*Millions*	
Belgium-Luxemburg, including Belgian Congo.	$2.0	$3.0	Earnings from United States in 1947 estimated at $1,000,000 from United States data.
Denmark	2.0	1.0	Earnings on long-term dollar assets which are estimated at $35,000,000 as of Dec. 31, 1947.
France	2.0	2.0	These receipts are small because the French Government has liquidated almost all of the private dollar assets known to it. In 1947, United States payments to France in this category amounted to $6,000,000, according to United States figures.
Italy	4.0		Earnings on United States investments which are estimated at $64,000,000 as of Dec. 31, 1947. According to United States data, receipts from investments in the United States amounted to 0.4 million dollars in 1947.
Netherlands	31.0		Receipts from Netherlands earning assets in the United States (estimated at $600,000,000 as of Dec. 31, 1947). Earnings in 1947 amounted to $38,000,000, according to United States data, but will be smaller in the future because of liquidation of securities.
Norway	1.0		
Portugal	.7	.3	
Sweden	8.0		Returns on United States investments, which are estimated at $115,000,000 as of June 30, 1947.
Switzerland	110.0	115.0	Returns from securities, Swiss-held enterprises and reinsurance, including arrears earned in previous years.
Turkey	1.6		
United Kingdom	82.0	153.0	Earnings from United States in 1947 estimated at $66,000,000 from United States data.
Total	244.3	274.3	

[1] Austria, Greece, Iceland, and Ireland are omitted since they have no assets in the Western Hemishpere.

TABLE VIII.—*Invisible items (excluding ocean freight) in participating countries balance of payments, fiscal year 1948–49*

[Millions of dollars]

Country	Tourism		Interest and amortization on U. S. Government credits—United States	Other interest, profits, amortization, and dividends		Other [1]		Total	
	United States	Other Western Hemisphere		United States	Other Western Hemisphere	United States	Other Western Hemisphere	United States	Other Western Hemisphere
Austria:									
Payments			2.9					2.9	
Receipts	3.0					18.0		21.0	
Net	+3.0		−2.9			+18.0		+18.1	
Belgium-Luxemburg, including Congo:									
Payments	6.0	1.0	17.0	1.0	17.0	1.0	8.0	25.0	26.0
Receipts	9.0	2.0		2.0	3.0	1.0	2.0	12.0	7.0
Net	+3.0	+1.0	−17.0	+1.0	−14.0		−6.0	−13.0	−19.0
Denmark:									
Payments	.3	.2	.7	10.3	1.0	2.5	.5	13.8	1.7
Receipts	2.0	1.0		2.0	1.0	2.0		6.0	2.0
Net	+1.7	+.8	−.7	−8.3		−.5	−.5	−7.8	+.3

See footnote at end of table, p. 920.

TABLE VIII.—*Invisible items (excluding ocean freight) in participating countries balance of payments, fiscal year 1948–49*—Continued

Country	Tourism		Interest and amortization on U. S. Government credits—United States	Other interest, profits, amortization, and dividends		Other [1]		Total	
	United States	Other Western Hemisphere		United States	Other Western Hemisphere	United States	Other Western Hemisphere	United States	Other Western Hemisphere
France:									
Payments	5.0	1.0	67.3	26.7	13.0	40.0	5.0	139.0	19.0
Receipts	30.0	.3		2.0	2.0	50.0	6.0	82.0	11.0
Net	+25.0	+2.0	−67.3	−24.7	−11.0	+10.0	+1.0	−57.0	−8.0
French dependent overseas territories:									
Payments	2.0			4.0	1.0	1.0	2.0	7.0	3.0
Receipts									
Net	−2.0			−4.0	−1.0	−1.0	−2.0	−7.0	−3.0
Greece:									
Payments			1.2			2.9	0.5	4.1	0.5
Receipts						22.0	1.0	22.0	1.0
Net			−1.2			+19.1	+0.5	+17.9	+0.5
Iceland:									
Payments									
Receipts						0.8		0.8	
Net						+0.8		+0.8	
Ireland:									
Payments	1.0	1.0				6.5	1.5	7.5	2.5
Receipts	17.0	1.0				16.0	2.2	33.0	3.2
Net	+16.0					+9.5	+0.7	+25.5	+0.7
Italy:									
Payments	0.5	0.5	14.5	4.6	7.6	7.0	5.0	26.6	13.1
Receipts	33.5	15.5		4.0		24.0	33.0	61.5	48.5
Net	+33.0	+15.0	−14.5	−0.6	−7.6	+17.0	+28.0	+34.9	+35.4
Netherlands:									
Payments	3.0		49.6	9.4	4.0	31.0		93.0	4.0
Receipts	3.0			31.0		1.0		35.0	
Net			−49.6	+21.6	−4.0	−30.0		−58.0	−4.0
Netherlands dependent overseas territories:									
Payments			2.0	8.0			100.0	10.0	100.0
Receipts						95.0		95.0	
Net			−2.0	−8.0		+95.0	−100.0	+85.0	−100.0
Norway:									
Payments	.5		6.9	9.6		3.0		20.0	
Receipts	5.0			1.0		9.0		15.0	
Net	+4.5		−6.9	−8.6		+6.0		−5.0	
Portugal:									
Payments	.3	.2		.2	.1	1.5	.9	2.0	1.2
Receipts	3.2	.8		.7	.3	7.1	7.4	11.0	8.5
Net	+2.9	+.6		+.5	+.2	+5.6	+6.5	+9.0	+7.3
Sweden:									
Payments	1.0			4.0		39.0		44.0	
Receipts	11.0			8.0		47.0	4.0	66.0	4.0
Net	+10.0			+4.0		+8.0	+4.0	+22.0	+4.0

See footnote at end of table, p. 920.

TABLE VIII.—*Invisible items (excluding ocean freight) in participating countries balance of payments, fiscal year 1948–49*—Continued

Country	Tourism		Interest and amortization on U. S. Government credits—United States	Other interest, profits, amortization, and dividends		Other [1]		Total	
	United States	Other Western Hemisphere		United States	Other Western Hemisphere	United States	Other Western Hemisphere	United States	Other Western Hemisphere
Switzerland:									
Payments	5.0	3.0		30.0	20.0	2.0	2.0	37.0	25.0
Receipts	30.0	35.0		110.0	115.0	9.0	7.0	149.0	157.0
Net	+25.0	+32.0		+80.0	+95.0	+7.0	+5.0	+112.0	+132.0
Turkey:									
Payments			2.0			3.0	1.0	5.0	1.0
Receipts	.1			1.6		1.0	.3	2.7	.3
Net	+.1		−2.0	+1.6		−2.0	−.7	−2.3	−.7
United Kingdom:									
Payments	23.0	10.0	40.0	47.0	145.0	45.0	40.0	155.0	195.0
Receipts	50.0	20.0		82.0	153.0			132.0	173.0
Net	+27.0	+10.0	−40.0	+35.0	+8.0	−45.0	−40.0	−23.0	−22.0
United Kingdom dependent overseas territories:									
Payments									
Receipts	30.0					5.0		35.0	
Net	+30.0					+5.0		+35.0	
Bizone Germany:									
Payments	2.0					30.0		32.0	
Receipts	1.0	1.0				15.0		16.0	1.0
Net	−1.0	+1.0				−15.0		−16.0	+1.0
Total:									
Payments	49.6	16.9	204.1	154.8	208.7	215.4	166.4	623.9	392.0
Receipts	227.8	79.3		244.3	274.3	322.9	62.9	795.0	416.5
Net	+178.2	+62.4	−204.1	+89.5	+65.6	+107.5	−103.5	+171.1	+24.5

[1] Insurance, film royalties, and communications, remittances, Government expenditures, etc.

TABLE IX.—*Sources of credits to finance ERP requirements outside of ECA funds and dollar earnings (Apr. 1, 1948–June 30, 1949)*

[In millions of dollars]

Total estimated credits			$2,136.8
Estimated credits from other Western Hemisphere countries		$700	
Canada	$150		
Argentina	400		
Sale of British Railways (12 months)	$300		
Italian credit	50		
Unused French credit	25		
Netherlands credit	25		
Other	150		
Undisbursed Export-Import Bank credits, International Bank and private investments		500	
Undisbursed Export-Import Bank credits	$125–$175		
Undisbursed International Bank credits	95		
Possible private investment (unguaranteed)	50– 100		
Other	130– 230		
Swiss Western Hemisphere surplus (derived from executive branch estimates of balance of payments on current account)		115	
Possible Swiss credit	$50–$125		
Bizone-Garioa appropriation		822	
		2,137	

TABLE X.—*Estimated total gold and dollars of Latin-American countries as of Dec 31, 1946 and 1947* [1]

Country	1946	1947	Increase (+) or decrease (−)
Argentina	$1,168	$555	−$613
Bolivia	36	41	+5
Brazil	528	458	−70
Chile	116	91	−25
Colombia	203	129	−74
Cuba	379	514	+135
Ecuador	38	29	−9
El Salvador	19	23	+4
Guatemala	52	51	−1
Haiti	17	15	−2
Honduras	4	4	----------
Mexico	333	239	−94
Nicaragua	8	7	−1
Paraguay	2	5	+2
Peru	65	62	−3
Uruguay	217	208	−9
Venezuela	289	292	+3
Other Latin America	150	146	−4
Unidentified	59	42	−17
Total	3,684	2,911	−773

[1] Dollar balances include official and private holdings.

TABLE XI.—*Estimated gold and dollar assets of foreign countries as of Dec. 31, 1947*

[In millions of dollars]

Country or area	Gold [1]	Short-term dollar balances	Gold and short-term dollar balances	Long-term dollar assets [2]	Total gold and dollars
Europe:					
European recovery countries:					
Cash-basis countries:					
Portugal	[3] 314	47	361	21	382
Switzerland	1,356	435	1,791	870	2,661
Total, cash-basis countries	1,670	482	2,152	891	3,043
Other countries participating in ERP:					
Austria	5	5	10	6	16
Belgium and Luxemburg	597	147	744	198	942
Denmark	32	53	85	34	119
Eire	11	21	32	40	72
France	550	168	718	465	1,183
Iceland	1	4	5	----------	5
Netherlands	244	143	387	995	1,382
Norway	75	56	131	50	181
Sweden	105	59	164	115	279
Turkey	170	37	207	16	223
United Kingdom	2,025	326	2,351	2,025	4,376
Other ERP [4]	257	270	527	95	622
Total, other than ERP cash-basis countries	4,072	1,289	5,361	4,039	9,400
Total, all ERP countries	5,742	1,771	7,513	4,930	12,443
Europe, non-ERP: [5]					
Estonia (May 1940)	13	4	17	----------	----------
Finland	(6)	31	31	----------	----------
Hungary	34	8	42	----------	----------
Latvia (July 1940)	14	6	20	----------	----------
Lithuania (August 1940)	11	(6)	11	----------	----------
Spain	111	12	123	----------	----------
U. S. S. R. (estimated)	2,570	74	2,644	----------	----------
Other Europe, non-ERP	473	95	568	----------	----------
Total Europe, non-ERP	3,226	230	3,456	----------	----------
Total, all Europe	8,968	2,001	10,969	----------	----------

See footnotes at end of table, p. 922.

TABLE XI.—*Estimated gold and dollar assets of foreign countries as of Dec. 31, 1947*—Continued

[In millions of dollars]

Country or area	Gold [1]	Short-term dollar balances	Gold and short-term dollar balances	Long-term dollar assets [2]	Total gold and dollars
Latin America: [5]					
Argentina	319	236	555		
Bolivia	23	18	41		
Brazil	354	104	458		
Chile	45	46	91		
Colombia	83	46	129		
Cuba	279	235	514		
Ecuador	20	9	29		
El Salvador	15	8	23		
Guatemala	27	24	51		
Haiti	2	13	15		
Honduras		4	4		
Mexico	100	139	239		
Nicaragua	3	4	7		
Paraguay		5	5		
Peru	20	42	62		
Uruguay	175	33	208		
Venezuela	214	78	292		
Other Latin America	16	130	146		
Unidentified		42	42		
Total, Latin America	1,695	1,216	2,911		
Canada and Newfoundland	294	411	705		
Total Western Hemisphere	1,989	1,627	3,616		
Africa: [5]					
Belgian Congo	17	22	39		
Egypt and Anglo-Egyptian Sudan	53	25	78		
Ethiopia	1	2	3		
French Africa	20	29	49		
Tangier		7	7		
Union of South Africa	761	47	808		
Other Africa		3	3		
Total Africa	852	135	987		
Asia and Oceania: [5]					
China and Manchuria	97	230	327		
French Indochina	(7)	6	6		
Hong Kong	(7)	40	40		
India and Pakistan	274	62	336		
Iran	142	11	153		
Iraq		3	3		
Japan	[8] 206	31	237		
Palestine	(7)	16	16		
Philippine Islands	1	488	489		
Saudi Arabia	(7)	11	11		
Other Asia and Oceania	360	139	499		
Unidentified		21	21		
Total Asia and Oceania	1,080	1,058	2,138		
Unidentified [9]		22	22	2,970	2,992
Total, all areas [10]	12,889	4,843	17,732	7,900	25,632

[1] Official figures were used for gold, wherever available. Estimates have been used for those countries which do not publish figures on their gold holdings. Where data for December were not available, earlier data or estimates, if available, were used.

[2] As of June 30, 1947. There has been a further decrease since that date but later figures not available.

[3] Based upon estimate of $390,000,000 for June 30, 1947, adjusted for sales of gold to the United States.

[4] Includes gold held by Tripartite Commission for Restitution of Monetary Gold, German short-term dollar assets, and gold and dollar assets of Greece and Italy.

[5] Long-term assets not available by country.

[6] Less than $500,000.

[7] Not available.

[8] Includes approximately $82,000,000 of gold earmarked by the Japanese Government for French Indo-China, Siam, Italy, and China.

[9] Unidentified includes $1,310,000,000 in long-term assets of Canada and Newfoundland. Residual $1,660,000,000 held by countries of Latin America, Africa, Asia, Oceania, and European countries not participating in the ERP.

[10] Holdings of International Monetary Fund, International Bank for Reconstruction and Development and other international organizations are excluded.

NOTE.—Gold: Data represent total holdings of governments and central banks without regard to location. Short-term assets: Composed principally of deposits in American banks and holdings of U. S. Government Treasury bills and certificates. Where Dec. 31 figures were not available, short-term dollar balances as of Sept. 30, 1947 were used. Long-term assets include securities composed of holdings of stocks and bonds of United States corporations and bonds of the U. S. Government and other long-term assets composed of controlling interests in United States corporations, interests in estates and trusts, and other types of property holdings. These assets vary widely as to availability and liquidity.

TABLE XII.—*Estimated total gold* [1] *and short-term dollar balances* [2] *of foreign countries and areas, June 30, 1945, Dec. 31, 1946, and Dec. 31, 1947*

[In millions of dollars]

County or area	I As of June 30, 1945	II As of Dec. 31, 1946	III As of Dec. 31, 1947	IV Increase (+) or decrease (−) from 1946 to 1947 (III−II)
Europe, Non-ERP:				
U. S. S. R.	2,171	2,461	2,644	+183
Other Europe, Non-ERP	519	543	568	+25
Total Europe, Non-ERP	2,917	3,244	3,456	+212
Total, all Europe	[3] 13,391	[3] 12,900	[3] 10,969	−1,931
Africa	1,030	1,182	987	−195
Asia [4] and Oceania	2,049	2,440	2,138	−302
Western Hemishpere	5,275	5,162	3,616	−1,546
Latin America	(3,661)	(3,684)	(2,911)	(−773)
Unidentified	17	21	22	+1
Total, all areas [5]	21,762	21,705	17,732	−3,973

[1] Official figures were used for gold, wherever available. Data represent total holdings of governments and central banks without regard to location of such holdings. Estimates have been used for those countries which do not publish figures on their gold.

[2] Short-term dollar balances (official and private), are composed principally of deposits in American banks and holdings of United States Government bills and certificates. The figures used in the table are gross and do not include short-term claims on foreigners payable in either dollars or foreign currencies.

[3] United States short-term claims on European countries including Turkey: June 30, 1945, $120,000,000; Dec. 31, 1946, $314,000,000; and Dec. 31, 1947, $278,000,000.

[4] Excluding Turkey.

[5] Holdings of international organizations are excluded.

Total United States short-term claims on foreigners: June 30, 1945, $375,000,000; Dec. 31, 1946, $708,000,000; and Dec. 31, 1947, $961,000,000. As of Dec. 31, 1947, 54 percent of the United States claims on foreigners pertain to Latin America.

SATURDAY, MAY 15, 1948.

BROAD FINANCIAL ASPECTS OF EUROPEAN RECOVERY PROGRAM

STATEMENTS OF HON. JOHN W. SNYDER, SECRETARY OF THE TREASURY, CHAIRMAN OF THE NATIONAL ADVISORY COUNCIL; FRANK A. SOUTHARD, JR., DIRECTOR, OFFICE OF INTERNATIONAL FINANCE

The CHAIRMAN. Mr. Secretary, do you have something you would like to say to us?

Secretary SNYDER. Mr. Chairman, I have a brief statement I would like to read.

The CHAIRMAN. You may proceed.

GENERAL STATEMENT

In appearing before you today as Chairman of the National Advisory Council to discuss the appropriation requested in accordance with section 114 (c) of the Economic Cooperation Act, I wish to add my full support to the testimony given by the Administrator and the Acting Secretary of State. My remarks will be confined to the broad financial aspects of the European recovery program, since previous witnesses have already discussed its importance for the foreign policy and security of the Unitted States and have explained the import requirements of the participating countries and their relation to the available supplies of goods.

The act authorizes $4,300,000,000 for the next 12 months. The Administration requests an appropriation of $4,245,000,000 at this time, since the authorization can be reduced by the $55,000,000 which Congress has already appropriated under the Foreign Aid Act of 1947.

The appropriation now requested will be used for financial assistance to the European countries which undertake to cooperate in this program for the economic recovery of Europe. It is scarcely necessary to stress the importance of this program which the Congress has found is needed for the restoration and maintenance in European countries of principles of individual liberty, free institutions, and genuine independence. With this aid for the first year of the program it is expected that the participating European countries will be able to make important progress toward restoring their economies to a normal level and toward reestablishing the normal basis of international trade. After 1952 they should be able to operate their economies without extraordinary assistance from the United States. We expect that any necessary dollar investment in Europe after 1952 will be of such kind and magnitude that it can be made through the usual private channels or through existing international institutions.

The aid given to Europe under the Economic Cooperation Act will be partly in the form of outright grants and partly in the form of credits. Some countries are in a sufficiently favorable position that they will receive all of the assistance on a credit basis. Other countries will receive all on a grant basis. Most of the countries will be aided partly on a grant basis and partly on a loan basis.

CRITERIA FOR MAKING GRANTS

Congress has set two basic criteria for determining the extent to which any country should be aided on a grant, as opposed to a payment, basis. These are the character and purpose of the assistance, and the prospects of repayment, considering the probable capacity of the country to make payment in dollars in the future without jeopardizing its own economic recovery or that of other countries of the world. The Administrator, in consultation with the National Advisory Council, will make the determination of the proportion of loans and grants applicable to each country. The National Advisory Council, on the basis of its present forecast of the balance of payments situation, believes that approximately 20 percent of the total aid of $5,300,000,000 to Europe can be made on a loan basis. The provisions of the act look toward the maintenance of at least this proportion during the first year. The Administrator is authorized to issue notes up to an amount of $1,000,000,000 for the purpose of allocating funds to the Export-Import Bank for loans and guaranties. The Bank will make the loans as directed, and on terms specified, by the Administrator in consultation with the Council. The amount of $4,245,000,000 which is now requested for appropriation will probably be used almost entirely for grants. In view of the uncertainties of the situation, the Council believes that the allocation of funds to particular countries and the break-down between loans and grants should be left quite flexible to the end that there may be a periodic review of the program.

This amount of $5,300,000,000, in the opinion of the National Advisory Council, is appropriate to carry out the purposes of the

program during the first year. Careful study has been given over an 8-month period to determining the amount of dollar assistance which European countries need to prevent further deterioration of their economies and to permit them to reconstruct their economic life. This figure represents the best judgment of the executive departments as to the amount needed for the first year. The amount requested for the period ending April 1949 cannot be cut without endangering the success of the program.

In arriving at the estimates of aid requirements, the council assumed that the countries participating would be required to use their present and future exchange income to meet their existing financial obligations falling due to the United States and third countries, including both obligations to governments and to private citizens. To declare a moratorium on obligations to the United States would not be wise. In the opinion of the council a general moratorium of this sort on obligations to the United States Government would have widespread and unfavorable repercussions. It would impair the credit standing of these countries and so make it more difficult for them to secure finance from private sources now, or in the future. This would be directly contrary to one of the basic objectives of the program, which is to restore the participating countries to a sound financial position so that they can finance their future dollar requirements through private investment channels. A moratorium would also have an adverse effect on the lending activities of the International Bank for Reconstruction and Development which, it is expected, will provide some of the finances needed for the European recovery program. A moratorium, if granted to the European countries, moreover, might lead other countries, which have incurred obligations to the United States, to expect similar moratoria in their favor even though their conditions are not comparable. Furthermore, the amounts involved are relatively small in proportion to the total international transactions of the countries concerned. The success of the European recovery program should put these countries in a position to service their obligations after 1952 without special assistance from the United States Treasury.

It is important to bear in mind that our program of economic assistance to Europe is not intended to cover all of the foreign-exchange requirements of these countries. They will continue to export goods to the United States, Americans will go abroad as tourists and so provide dollars which the foreign countries can use to secure goods in the United States, and so on. Normal economic relations will continue and a part of the requirements of the European countries will be met from their current earnings of dollars.

LIQUIDATION OF ASSETS OF PARTICIPATING COUNTRIES TO FINANCE PROGRAM

It has been suggested at various times that the European countries should be required to liquidate all, or the major part, of the dollar assets owned by their citizens to pay for part of the program. The National Advisory Council is opposed to a policy which would make such liquidation mandatory, since the Council believes that the retention of some dollar assets by the European countries is essential to the economic welfare of these countries and of the United States. I should like to repeat before this committee substantially what I

stated before the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs with regard to this matter. These assets consist in part of security investments and in part of holdings of real estate, interest in business enterprises, or other forms of capital which cannot readily be liquidated without serious loss. Of the 4.8 billion dollars in long-term assets owned by nationals of the participating countries, about 1.5 billion dollars could not easily be liquidated. Of the assets in marketable form, a part is already pledged as security for a loan granted by the United States. Moreover, to force the liquidation of these assets now would make the future international economic position of the participating countries worse. These assets yield a dollar income which, under the exchange regulations of practically all of these countries, becomes available for use by the government or subject to its directions. The recipient of income from the United States must sell his dollars to the exchange authorities. If these assets were liquidated, the country's dollar income would be reduced and consequently its deficit in future years would be increased. It must be remembered that our whole program has as its economic objective the increase of the dollar earnings of Europe. Present dollar holdings constitute a valuable secondary reserve for these countries.

Some of the countries, however, expect to use their dollar assets now to meet requirements not covered by their current earnings and by aid under the European recovery program. We do not object to such a decision taken by foreign governments on their own initiative.

In this connection it is well known that a major problem regarding these assets has been the fact that many owners have concealed their dollar holdings, frequently in violation of the laws of their own country. The National Advisory Council believes that we should give reasonable assistance to recipient countries in obtaining control of these assets so that they may be used for national purposes. Accordingly, on February 2, 1948, in a letter to Senator Vandenberg, I outlined a program by which we could assist these countries in obtaining information about the portion of the assets which the Treasury has blocked under Foreign Funds Control. This program is now in effect. The Treasury Department requires that before it unblocks an asset in the United States it must receive a certificate from the government of the country in which the owner resides, stating that there is no enemy interest in these assets. To obtain this certificate the foreign national must, of course, reveal his holdings to his own government. Applications for certification must be filed by June 1, though 3 months will be allowed for completion of the investigation by the government concerned. A census will be taken of assets which are not unblocked through this certification procedure and the information from the census made available to the participating countries. Assets which remain blocked after completion of the procedure will be transferred to the Office of Alien Property and vesting proceedings begun. Consequently, foreign nationals will have a strong incentive now to make these investments available to their own country. They will no longer be able to escape their obligations.

GOLD AND DOLLAR BALANCES HELD BY PARTICIPATING COUNTRIES

I might speak briefly about the question of the gold and dollar balances held by the governments of the European recovery program countries. The participating countries have sold gold and reduced their dollar balances by about $2.5 billion in the period since June 1945. They have been exhausting their reserves to obtain needed supplies here. In the opinion of the Council, it would be unwise for most of those countries to exhaust their reserves to a greater extent. Gold still remains the ultimate reserve for world currencies. Even though the currencies are not convertible, holdings of gold and dollars give people confidence in their currency and this confidence will be necessary if the currencies of Europe are to be stabilized successfully in the course of the next few years. Moreover, dollar balances are necesssary for the conduct of ordinary international operations in the same way as a business must hold a certain cash balance with its bank. While a few countries with adequate balances will be expected to pay from their own resources for the supplies they acquire as part of the program, the balances which are held by most of the countries are already inadequate for monetary reserves and ordinary commercial operations. It is the opinion of the Council, therefore, that these balances should not be further reduced.

It is generally agreed that the burden on the American taxpayer should be made as light as possible. The Congress has also declared that this program is essential for the welfare of the United States, that the expenditure of this fund for recovery in Europe is necessary to "establish a lasting peace, the general welfare and national interest of the United States and the attainment of the objectives of the United Nations." There must also be ample assurance that our own people do not bear this heavy burden in vain, that at the end of this program Europe will have recovered and that we can look forward to a revival of international trade and a period of international stability which will be beneficial to our own people. It is for this reason that Congress has specified that the participating countries must make efforts to cooperate with each other in international measures which are necessary for recovery and that they will take ample steps to use their own resources and will adopt public policies which will bring about their own economic recovery and stability. The recovery of Europe is of tremendous importance to the welfare of our own people in the long run. This is the real justification for asking the Congress to appropriate the amount requested.

The CHAIRMAN. Now, I do not know whether you want to answer this question or have somebody else.

Secretary SNYDER. I would like to make free use of my staff, if that is agreeable to you. Most of this is very technical matter, and, with the permission of the chairman, if questions are asked that I would like to refer to my staff, I would like to have that permission.

PROPOSAL TO MAKE DOLLARS AVAILABLE FOR PURCHASE IN UNITED STATES

The CHAIRMAN. First off, I would like to have you tell us if it is proposed under this program, as you understand it, to make available to other countries dollar balances with which they are to go into

United States markets and themselves buy what they feel they will require for their operations. Is that the program?

Secretary SNYDER. In the main; yes, sir. Of course, that is a part of the Administrator's job—to see to it that those purchases are so controlled that they bring the least amount of pressure possible on our own economy. There are certain off-shore purchases that are provided for in order to relieve our economy here—by the purchase offshore of certain materials in short supply here.

The CHAIRMAN. That will have to be covered largely through the export control picture, but that, in general, is the process?

Secretary SNYDER. Yes, sir.

DISCUSSION ON GRANTING OF FUNDS TO PARTICIPATING COUNTRIES TO MEET OBLIGATIONS TO UNITED STATES

The CHAIRMAN. Now, we have had some testimony and you have referred in here to the proposal to permit these countries the funds and to have us make grants to back them up so that they may continue to pay what they owe to the International Bank, the Export-Import Bank, and any other credit agency in the United States or any other country rather than to get an extension upon those items.

You have been in the banking business yourself and are familiar with banking practices and the effects of those things. You must realize that to have somebody else pay your debt completely demoralizes the debtor and allows him to get into the frame of mind where he expects that practice to continue. You must realize that.

Secretary SNYDER. Well, I do not quite agree with that Mr. Chairman, because, particularly in these foreign countries, I am definitely of the impression and opinion that if you give a moratorium on the payments of amortization or of the interest, you do just exactly what you said—you make them feel that they have a right to get those extensions; whereas, if they are paying and continuing to pay, you get them in the frame of mind of paying.

The CHAIRMAN. If you provide them with the funds to pay and pay it for them the way you are proposing here, you get them in a frame of mind where they expect you to continue.

Secretary SNYDER. No. There are no funds provided for that.

The CHAIRMAN. You are providing funds for other things as a gift, so that they can pay debts which might better be extended.

Secretary SNYDER. Well, no funds will be allocated by the Administrator to pay debts.

The CHAIRMAN. On the other hand, there will be funds provided to the countries to buy other things, so that they can pay their debts.

Secretary SNYDER. That is correct.

The CHAIRMAN. And that results in the same situation. I do not know of anything that could be more demoralizing to those countries.

Secretary SNYDER. Well, I think it would be more demoralizing not to make them pay at all and to let them get in the habit of not paying. If they continue paying, as this program works out and they are restabilized, then they are in the habit of meeting their obligations, and habit is a mighty fine thing when it comes to paying your debts.

The CHAIRMAN. The next thing is they will expect you to continue to pay them. That is the way it will work. You may be able to get away with it with the Congress and the Administrator—I do not know—but you are just wrecking their picture.

Secretary SNYDER. I have contrary views, because I know if we give them a chance——

The CHAIRMAN. Well, you know how it works with individuals, do you not?

Secretary SNYDER. That is exactly what I started to say. I have done a great deal of liquidating of closed banks and that sort of thing in my life, and I have found that if we could keep up a man's interest in his obligations by keeping his payments going, he got into the habit of paying. We even made increases in loans in order that he might keep up his regular payments and get into that pattern of payment and meeting his obligations, and not get the notion, if he came up with a hard-luck story, that those obligations would be extended for him. If he gets in the habit of meeting his obligations, then when he does move forward on his own, that habit is formed and he continues to pay. A country is just like an individual in that matter, so far as my observation has been, and when you start extending loans and deferring amortization payments, it gets into that habit and just continues to expect extensions.

So, from my point of view, I would advocate that we allow them to continue to make their payments.

The CHAIRMAN. I do not know of anything worse.

Secretary SNYDER. Well, you and I are in complete disagreement on that.

The CHAIRMAN. I do not know of anything worse than for some rich uncle—and that is what this amounts to—indirectly to be paying the obligations of a nephew, and that is what this works out to.

Secretary SNYDER. It gets back to whether you have confidence that we are going to help these people get on their feet again. If we have that confidence—and I believe this to be true—then I think they will get in the habit of paying their debts as they come due.

Mr. CASE. What would the Secretary say of getting these other nations into the habit of having somebody supply the funds so that they can have the money to pay their debts?

Secretary SNYDER. That has already been decided by Congress; Congress has already decided that.

Mr. CASE. Well, is not the philosophy you are defending starting the other habit of having somebody else supply the money so that they can pay their debts?

Mr. SOUTHARD. Could we say it is a matter of recognizing the sum total of the normal obligations, normal payments, that European countries would make unless prevented from meeting them? At the same time, the Administrator, throughout the life of the program, will make the strictest estimate, the strictest accounting, of the economy of those countries, and will deal, therefore, with the essential net deficit. To the extent the program succeeds, the net deficit will be reduced, and in the meantime these countries, out of total foreign exchange receipts, part of which they get from aid and part of which they get from their own earnings in dollars, will be able to meet these obligations and other essential payments. Part of those are payments to the United States Government, it is true, and from that point of view it might be queried as to why should we loan them money with which to pay obligations to us.

The CHAIRMAN. Why should we give them money?

Mr. SOUTHARD. In some countries it will be loaned. Overall, it will comprise gifts and loans, both. A considerable part, also, of the sum repaid to us is on private account. Consider an American holder of foreign securities—Norwegian, Danish, or British securities, for example—or an American corporation that has receipts of interest, amortization payments or profits that an enterprise in Europe is earning; such a person has no recourse; there is no moratorium from his point of view. If moratorium merely extends into the future the question of how he is going to obtain this income in dollars, and it will be small consolation to the holder of Norwegian government bonds to be told that for the life of the program Norway must default or seek a moratorium, that he may and hope at some time, when Norway gets to the point where she needs no United States aid, that she will be allowed to recognize her obligations to American creditors.

Mr. CASE. That may be. I do not know just how the discussion turned to the psychology of forming habits. I am not a student of psychology, but it seems to me I do recall a certain professor of psychology by the names of James of Harvard once suggested that the way to break one habit was to form another habit, and if we start them in the habit of having somebody else provide the money to pay their debts—if all it is is a habit—then you have a choice as to which habit is the more desirable.

Secretary SNYDER. That is correct; you have stated it exactly right. In my opinion, having been in banking all of my life, it is better to have persons form the habit of paying their debts, even though they be given assistance, than to give them a moratorium and let them get completely out of the habit of paying their debts, because even when they get back on their feet they will assume they do not have to pay.

Mr. CASE. What do you think of their forming the habit of having to look to somebody else to supply the money to pay their debts, when that becomes established?

Secretary SNYDER. By the very nature of this program, I think you are going to prevent that. You are extending a certain amount of credit, which you have determined upon in the Congress, after listening to the testimony presented, that you thought would be appropriate to try to help these people get back on their feet, and the reasons for doing it have been well stated in the record. Congress has determined on that course. Now the question is, in the implementing of this aid we are giving them, what is the best course to follow. We will have to presume it is going to be a successful program. Our purpose in extending aid is to get the participating countries back on their feet, and as they get on their feet and stabilize their position, those habits of having to meet their obligations as they went along will be very helpful in the eventual long-run stabilization of the participating countries.

The CHAIRMAN. I have quite a lot of questions I want to ask Mr. Southard and finish up with him, but I do not think I need go into those with you, Mr. Secretary.

Mr. CANNON. Mr. Secretary, the program you have outlined is in conformity with the authorizations and directions of the law just passed by Congress?

Secretary SNYDER. Yes, sir.

Mr. CANNON. The objective is to support the economic structure of these countries until they can get on their feet and become economically independent?

Secretary SNYDER. That is correct.

Mr. CANNON. And thereby benefit not only them but create markets and trade conditions which will benefit us financially on this side, as well?

Secretary SNYDER. That is the intention; yes.

Mr. CANNON. Under the administration which you have outlined here, there is no chance of any of this money, while going ostensibly to the 16 friendly nations, might be indirectly channeled into any of the Iron Curtain countries, is there?

Secretary SNYDER. I do not quite understand your question.

Mr. CANNON. None of this money you are to use and none of these economic measures which you are proposing here to carry out the provisions of the law actually could be, directly, or indirectly channeled from the country to which originally allocated for the benefit of some of the iron curtain countries—for the benefit of Russia or some of her satellites?

Secretary SNYDER. The Administrator's job under the export control arrangement would be that he would require the participating countries to have controls.

Mr. CANNON. Every precaution would be taken to see that none of it went to Russia or her allies?

Secretary SNYDER. That is correct, as I understand it.

Mr. CANNON. I was interested in your discussion of the wisdom of permitting those countries to pay their debts, to maintain their credit. During the depression back in the early thirties in which Missouri lost about half of her banks, one of the banks in my county failed and some of us took over the remaining assets of the bank. Immediately there arose two schools of thought. One to take what the borrowers could pay at the time and cancel the notes, the other to continue the credit and help them to gradually pay out.

We worked along with them. We gave them time. One farmer had a bunch of hogs but no corn to feed them. We even increased his indebtedness and provided him with money to buy feed. To the surprise of everybody, most of those fellows eventually paid out. And what was most important, I think, to the economic well-being of the community that came out of it was that the people maintained their self-respect. By meeting his obligations, the borrower had beat back against the tide; he had paid his debts, and he was a self-reliant, self-respecting independent citizen.

Do you think this solution could be applied to nations as well as to individuals?

Secretary SNYDER. I very definitely do. I found, by getting a man interested in his debts, letting him start making payments—it does not make any difference how much, as long as he is paying something—he gets into the paying habit. In the liquidation of banks, it was vitally important to have him start paying. When he looked at the whole debt, it looked hopeless, but when he was making regular payments on the debt, the first thing he knew he had the debt under control and was able to pay it.

I am very happy about the record of liquidation I had with national banks, because many times the appraisal of the bank upon closing

was that it would pay 40 or 50 percent, but by following the procedure which I have just mentioned, of getting the debtor interested in his debt and paying something, I do not think I had a bank that paid less than 90 percent in the long run. Most of them paid 100 percent by that procedure.

I think that is true with countries. If you just keep them interested in their obligations by having them meet their payments and interest on the due date, even if you have to make further extensions, you get them into the pattern of payment. And I feel this very strongly—as strongly as the chairman might feel the other way.

The CHAIRMAN. Well, it is just the opposite of what you suggest and what Mr. Cannon is suggesting, that you are proposing.

Secretary SNYDER. No; it is not.

The CHAIRMAN. You are proposing to give them the money to pay their debts.

Secretary SNYDER. Oh, no; we are not.

The CHAIRMAN. Yes.

Secretary SNYDER. Oh, no.

The CHAIRMAN. Yes; and that is the thing that bothers me.

Secretary SNYDER. No; we are not.

The CHAIRMAN. That is a thing that will demoralize them and get them in the habit of not paying their debts.

Secretary SNYDER. That is not the plan or the pattern of it. There is a complete difference of opinion between us.

Mr. WIGGLESWORTH. Well, it is 80 percent gifts, according to your previous testimony, is it not?

Secretary SNYDER. Only for this period of getting the countries moving back from the deplorable state to which their economy was depressed. I am looking at the long-term and am not confining myself just to this year or next year, but the long-term pattern of setting up this recovery.

Mr. CANNON. I think, Mr. Secretary, we are very fortunate in having in charge of this work a man who has had a long, rich, and enlightening experience in matters which, in a local way, bear on the very problem with which we are confronted today.

Let us take the alternative: Suppose we do not advance this money and suppose they do not pay their debts, in what situation do we find ourselves then?

Secretary SNYDER. If the participating countries are unable to pay the obligations they have in borrowings, mostly through the Export-Import bank, we would face a problem with respect to the International Bank. The pattern of payment will be thrown out of gear; we will have the private owners of investments discouraged, and we will cut the markets down—the monetary value of those investments will immediately fall on the market. And, we will create a general disturbance throughout the economy that could be avoided by a relatively small consideration here as compared with the whole problem.

Mr. CANNON. You think this is a practical method of attaining the objectives we seek?

Secretary SNYDER. I feel so, yes.

DETERMINING AMOUNT OF FUNDS TO PARTICIPATING COUNTRIES

Mr. CANNON. Do you think we can at this time fix the allocations which each country would be entitled to receive or do you think that should be left for later determination?

Secretary SNYDER. Definitely the latter, because each case has to be reviewed as of the time that the bilateral agreement is set up and from time to time thereafter, and if we made a predetermination we almost freeze the administration of the many problems which must be considered. We have got to take up each country and find out what its condition is as of the time the Administrator makes an agreement with the country.

Mr. CANNON. If left for later negotiation you can work out the ituations as they arise?

Secretary SNYDER. I believe so, yes.

Mr. SOUTHARD. That involves a problem of continuous study and investigation, because the Administrator may find that one country has more commodities of category X, for example, and less of another category than it needs, whereas another country has less than it needs of category X.

Secretary SNYDER. Also one country may recover more rapidly than another.

Mr. SOUTHARD. Hence, will need less, so that the Administrator will have to sit down and work out those cases, and this is going to involve a great deal of patient review and study.

Mr. CANNON. I take it for granted that in carrying out this program you will be governed very largely by the amount of cooperation and the spirit of cooperation you receive in each country?

Secretary SNYDER. That is under constant review; yes.

Mr. CANNON. One of the essential things to making the cooperation effective, if left with a free hand, is that the countries with whom you deal realize that the amount allowed goes along with a willingness to work with you.

Secretary SNYDER. That is under constant review, and if the Administrator finds that the country, even though he has entered into a bilateral agreement with it, is not living up to its obligation to stabilize its internal economy, he can cut back on the program, which is always flexible.

ALLOCATION OF FUNDS IN FORM OF GRANTS OR LOANS

Mr. CANNON. Of course, one of the first questions that arise is whether these allocations are to be grants or loans. I take it for granted you have a formula you will follow in deciding whether or not the amount advanced is to be a loan or a grant. If so, what is the formula?

Secretary SNYDER. Basically it varies according to the country's ability to pay.

Mr. SOUTHARD. In dollars.

Mr. CANNON. A country, one of the sterling-bloc countries, might have assets which will be convertible.

Secretary SNYDER. That is correct.

Mr. CANNON. And in such case would receive no grant?

Secretary SNYDER. Or some other arrangement might be worked out; that is where the flexibility which is so necessary comes in. The country may not have the dollars now, but to the extent that it improves its economy it may be in a position to pay in future in part, and it may receive assistance in part as loan in such instances.

Mr. CANNON. But in all cases you will be governed by the basic principal that where you can get a dollar back you will proceed with that in view.

Secretary SNYDER. Yes; definitely.

Mr. CANNON. There will be no grants where a loan will suffice?

Mr. SOUTHARD. There is a very difficult problem of practical consideration when you are making long-range forecasts of the capacity of these countries to pay in dollars. You have to take into account the probable changes in balances, in obligations to the United States, and in obligations to private creditors.

Also you have to take into account all the possibilities of restoring European tourist trade and shipping income to ascertain how many more dollars the ERP countries can earn as a result of this program, and then face the proposition that after the program is completed the countries must still have leeway in the balance of payments to obtain more financial assistance through private channels, if necessary.

Then on top of that kind of forecast you have to try to project the condition at the end of 20 or 30 years, or even a longer period over which you are going to spread interest and amortization charges. Those are very difficult projections to make.

Then in addition you must break the projections down between the 14 countries and decide the requirements of Norway as against England, or of France as against Norway; you may find that more loans are suitable for Norway and less grants, as compared with the over-all loan-grant ratio, and more grants suitable for France and less loans. What you have said is right, that insofar as it is humanly possible to make these forecasts and foresee repayment, there will be loans and not grants. If it develops that there is no prospect that loans could ever be paid, using loans would just be a subterfuge, and there would be no point in making them.

Mr. CANNON. You will not grant a single dollar where a loan of that dollar would serve the purpose?

Mr. SOUTHARD. Where a loan would have reasonable prospect of repayment.

Mr. CASE. In dollars?

Mr. SOUTHARD. In dollars, because that of course, in the final analysis is what we would look to.

Mr. CANNON. The act authorized 4.3 billion dollars for the next 12 months; this estimate is for 4.245 billion dollars, because we have already advanced $55,000,000 on the side in 1947, so the estimate before us now is for a period of 12 months.

POSSIBLE REDUCTION IN PERIOD COVERED BY INITIAL APPROPRIATION

Has it occurred to you that it might be possible to use a less sum of money for a less period of time. Would it be sufficient if we provided money for a 9- or 10-months period instead of 12 months, and thereby save a little money just at this time? Would that be practical?

Secretary SNYDER. I think any saving, Mr. Congressman, will come beyond this 12 months' period.

Originally it was considered, in order to give them more assurance, that a 15-month period be set up, but this has been reduced to a 12-month period. It would appear to me that we should take this 12 months' step, and then after the development program goes forward it might be that a reduction can be made.

Mr. CANNON. But as the situation exists at this time you think the 12 months is the shortest period for which practical results can be secured?

Secretary SNYDER. I frankly believe it is. These countries have to make commitments in their development program which just cannot be completed in a short period of time. It takes time to work out the program; they have to make certain commitments that may extend beyond 12 months, and really 12 months would be the shortest time which would cover most of these commitments. I frankly feel that a 12 months' period would be the minimum that we ought to consider.

Mr. CANNON. You think 12 months should be the minimum, and anything less than 12 months would prove inadequate both in the United States plans and as well as in the plans of the foreign nations with which we are dealing?

Secretary SNYDER. They have to have a certain feeling of assurance that, when they start something in their own program, their own taxes, their own budgets and matters of that kind, they will have sufficient time to get them in operation. As you know by our own Government's operation, it takes time to get stabilizing influences in motion, and I think that 12 months would certainly be the minimum time we ought to consider.

Mr. CANNON. Suppose we should adopt a 10 months' instead of a 12 months' period and thereby reduce the 4.3 billion dollars proportionately, would that result in any saving if eventually we are going to have to pay the original amount? This money will not be used until it is necessary. If we appropriate at this time the 4.3 billion dollars for the 12 months, when that amount is eventually indicated, the short time in which we would retain in the Treasury the difference between the amount appropriated and the amount of the estimate here would result in no practical saving to the United States?

Secretary SNYDER. I do not think so if we are going through with this program.

COOPERATION OF PARTICIPATING COUNTRIES

Mr. CANNON. What precautions would be carried out to insure cooperation on the part of the nations with whom we are dealing?

Secretary SNYDER. That is written into the procedure provided by Congress for the participating nations. They have to undertake certain commitments that they will take steps to improve their internal economic conditions; this will be a matter that will be considered in each one of the bilateral agreements. In following up the agreements, which will contain the requirements, the Administrator will get progress reports of development which will assure that the country is doing everything in can to get itself back on its feet.

Mr. CANNON. To what extent would this program interfere with the normal economic relations which these countries have been following heretofore and which we could expect to continue in the future?

Secretary SNYDER. Will you restate that question, please?

Mr. CANNON. If we get these commitments, would these countries continue their normal economic and trade relations with our nationals?

Secretary SNYDER. We hope that relationship will improve.

Mr. CANNON. You expect to encourage in every way the channeling of economic aid, through regular trade channels?

Secretary SNYDER. Yes.

Mr. SOUTHARD. I think I should say that for the last 6 weeks, in conjunction with the Administrator's office and other Government agencies we have met with groups in touch with the banking situation, foreign trade and others in working out proposed regulations, regarding the commitments and regarding the procedure to be followed by the Administrator in financing procurement. The Government did this so that normal financial and commercial channels would be used effectively and to the maximum extent possible within the framework of the Economic Cooperation Act.

STABILIZATION OF CURRENCY

Mr. CANNON. When we were over on the other side last summer, I was astonished to find that with the exception of Turkey and England there was no metal currency in circulation; it was all paper. The only metal currency we found was in Turkey and England, as I recall. Throughout the rest of the continent, that is, in Belgium, Germany, France, Italy, and Greece, the paper currency was in varying stages of depreciation and in most of the countries there was an increasing trend toward further depreciation.

Will it be a part of your program to stabilize these currencies?

Secretary SNYDER. That is a definite part of the program; yes.

Mr. CANNON. How do you expect to be able to do that?

Secretary SNYDER. As internal economies become stabilized the participating countries will be in a better position to meet their external payments and that in itself will tend to stabilize the exchange rates.

There is no question but that in the course of years there will have to be adjustments in the rates of exchange of various countries. It just cannot be done overnight; it takes time to get the country's production, exports and imports more in balance. That is a gradual adjustment.

The CHAIRMAN. If the gentleman will permit an interruption——

Mr. CANNON. Yes, Mr. Chairman.

The CHAIRMAN. Just the opposite effect has resulted in most places so far; they have simply piled up and increased their government employees and wasted the money. That we have found over there, and instead of stabilizing their own currency that is what has taken place. We really ought to know whether we are going the same way now?

Secretary SNYDER. I think that all will definitely be discussed.

The CHAIRMAN. It has not been. We have been talking about that before.

Secretary SNYDER. This is the first time we have ever——

The CHAIRMAN (interposing). This is not the first time the committee has put it up; we have been bringing that up ever since we got back from over there.

Mr. SOUTHARD. Mr. Chairman, it seems to me if we take western Europe as a whole it is by no means a wholly black picture, so far as

the general structure of stabilization is concerned, in terms of export trade and balanced budgets, which affect the stability of wages and the price spiral. The stability that a number of countries have maintained, with budgets well controlled and with firm exchange rates, presents a very encouraging picture. To be sure there are serious problems in some countries, but even there various encouraging developments are taking place.

(Off the record.)

Mr. WIGGLESWORTH. I notice you did not mention Germany.

Mr. SOUTHARD. Well, that is a very complex problem, but it is a problem in which we do have some responsibility, because we are not dealing with an independent government, and we can presumably do whatever our intelligence and our wit enables us to do.

The CHAIRMAN. Then why are we not doing it?

Mr. SOUTHARD. I do not presume to speak in detail about Germany, Mr. Chairman, but I do feel that it is not altogether a black picture, so far as the stabilization situation in western Europe is concerned.

Mr. CANNON. Our observation was that stabilization of the currency was one of the first objectives to be attained. The present condition of the currency interferes with labor; it interferes with domestic commerce. A man would not work because he gets marks or he gets francs or he gets lira or drachmas or other local currency that was all but worthless, so why should he work and get something, which after he had spent his allowance under the ration, brought him in nothing.

On the other hand, the farmer who had something to sell, the merchant who had some commodities still remaining on his shelf could see no reason why they should turn it into worthless currency.

We were impressed with the idea that the first requisite of any program was that there be stabilization of the currency. I am glad to know it fits in as a part of your program.

Are you satisfied, based upon the reports that you have received, and upon information that you have been in position to obtain, that you will be able to effect that situation?

Secretary SNYDER. We are certainly going to attempt to do so. We are working very closely wiht the International Monetary Fund to that end.

Mr. CANNON. Summing up the whole situation, would you say that the objective which we seek to accomplish in carrying out the program authorized under this act, and in appropriating the money requested in this estimate, is largely altruistic and philanthropic on the theory that we are "our brother's keeper," or it is a practical, common sense American business proposition which will serve our own commercial interests.

Secretary SNYDER. I think definitely it is to our personal interest, that what we do with this program is in the interest of the United States economy, that it is to our direct benefit to relieve the instability of the European countries at this time by attempting to extend to them the means of getting back on their feet.

The CHAIRMAN. Mr. Wigglesworth.

Mr. WIGGLESWORTH. Mr. Chairman, what I am particularly interested in is obtaining certain specific information which I think goes to the computation of the over-all appropriation. I understand Mr. Southard is to deal specifically with that. I will therefore not take the time of the Secretary for further general observations.

Secretary SNYDER. We will try to supply you with all the detailed information you desire, Congressman Wigglesworth.

The CHAIRMAN. Mr. Case.

Mr. CASE. Mr. Chairman, there were a couple of points in the Secretary's statement which I wish to ask one or two questions on. First, with regard to the paragraph where you spoke of the security of the European countries.

Secretary SNYDER. Yes.

PRIOR BRITISH LOANS

Mr. CASE. What was the amount of the loan extended to Britain 2 years ago?

Secretary SNYDER. $3,750,000,000.

Mr. CASE. How much of that was secured in one way or another?

Secretary SNYDER. None.

Mr. CASE. No part of it?

Secretary SNYDER. No.

Mr. CASE. Has any loan been made to Britain that has been secured by securities?

Secretary SNYDER. Yes.

Mr. CASE. What?

Secretary SNYDER. Some years ago the Reconstruction Finance Corporation made a loan to Great Britain which was secured by collateral.

Mr. CASE. What was the amount of that loan?

Secretary SNYDER. Originally I think it was $425,000,000.

Mr. CASE. Do you know the present status of that loan?

Secretary SNYDER. Roughly I think about $170,000,000 or $180,000,000 is still outstanding.

Mr. CASE. What has become of the securities that were put up as security for that loan?

Secretary SNYDER. I think some of them have been liquidated in payments that were used to reduce the loan, but the balance is still in the hands of the RFC. The present appraised value of the remaining collateral is about $900,000,000.

Mr. CASE. About $900,000,000?

Secretary SNYDER. Yes.

Mr. CASE. Would that not be available as security for loans rather than grants to them?

Secretary SNYDER. Well, that would be a matter that would have to be considered by the Administrator.

Mr. CASE. But of course, they were used as collateral for specific loans?

Secretary SNYDER. Yes.

Mr. CASE. The paper this morning stated that the Administrator had announced a total of $1,186,000,000 in grants and loans, and the table accompanying the statement indicates an allocation of $300,000,000 in grants to the United Kingdom and $100,000,000 in loans.

Mr. SOUTHARD. Mr. Secretary, could I speak to that for a moment, to say that the $900,000,000, roughly, of collateral in the hands of the Reconstruction Finance Corporation as security for the loan represents, in considerable part, holdings of British insurance companies

and shares in British-controlled industry; about $300,000,000 is miscellaneous securities.

The whole collateral is about half of the total British private investments in the United States, which amounts to about $2,000,000,000. In addition Britain has roughly $2,000,000,000 of gold and dollar reserves. The $2,000,000,000 of private investments, some of which consists of corporation resources, remain as the secondary dollar reserve of the British.

If we look ahead there is no way of being sure how long this recovery program will last or what the attitude of the Congress will be toward it. Moreover, the British are using their gold and dollar reserves as a basis, not only to maintain the stability of the pound, but also to meet in considerable part the foreign exchange needs of the independent sterling area countries.

From my own point of view, if England were to dispose of these securities, or pledge them for loans, they would not be available to meet emergencies or to meet the continuing deficit on sterling area account which the United Kingdom must face.

Mr. CASE. Whatever the character of the security was originally and its present status, apparently it was accepted and was required as security for a loan made by the representatives of the United States Government.

Mr. SOUTHARD. It was good collateral.

Mr. CASE. Whatever arguments lead to the requirement that that security should be put up as security at one time would have to be defeated, it seems to me, to warrant not using security again. If the loan itself has been reduced to $100,000,000 out of the $400,000,000 which it was originally, when you consider the magnitude of the $900,000,000, it does seem difficult for me to understand why that should not be allocable to some of the new proposed allocations.

COLLATERAL LOANS

Secretary SNYDER. We have a statement on collateral loans that we could read into the record, or put in the record, or furnish you with copies as you like.

Mr. CASE. I would be glad to have it.

The CHAIRMAN. If you have something like that suppose we have it now.

(The statement referred to follows:)

COLLATERAL LOANS

The question has been raised as to why it would not be appropriate to request some of the European countries which are still holding long-term assets to hypothecate these assets as collateral for loans from private borrowers. This question has been considered carefully, and we are of the opinion that such a procedure would not be in the interests of the program in the long run.

As has been pointed out on many occasions, the funds provided under the recovery program are not intended to meet all of the dollar requirements of the European countries during the period under consideration. A large amount of goods must be procured with the dollar earnings of the participating countries and by means of credits from nonparticipants, both of which have been estimated at the maximum figures which seem at all possible. If there is any failure to achieve the rather high standards which have been set, additional requirements will have to be met from the remaining reserves of the participating countries. The long-term assets constitute such emergency reserve for some of the more

important countries, and if they are hypothecated and immobilized they will not be available for such emergency purposes.

Moreover, we look forward to a period some years hence when direct United States financial assistance can be terminated. This difficult transition to other means of financing requirements in the Western Hemisphere will require a cushion of realizable assets available to smooth the transition. At present we cannot estimate too closely what the needs may be at that time but it seems clear that it would not be to our advantage to immobilize in the form of collateral the assets which these countries may need at that time.

From another point of view, the immobilization of collateral against private loans may involve undesirable consequences. The inability to utilize such collateral in subsequent years, if needed, may increase the danger of default on outstanding obligations to the United States Government which are incurred under the program. These are occasions when a temporary exchange stringency may seriously curtail the production of a foreign country and reduce its capacity to earn dollars for a period of several months. Europe is operating on limited stocks, and the delicate and involved processes of a complex industrial economy can be easily disturbed if emergency reserves of exchange are not available to prevent sudden and arbitrary shortages of crucial materials.

For the above reasons it is considered preferable that the recipient countries retain their existing assets in a form which is freely disposable to meet unforeseen requirements. This does not mean that we do not consider that those assets, as well as the productive resources of the borrowing country, shall not contribute to the servicing of obligations which may be reasonably undertaken under the program. The earnings from these long-term dollar assets will be available to assist in this servicing.

SALE OF GOLD TO PARTICIPATING COUNTRIES IN EXCHANGE FOR THEIR CURRENCY

Mr. CASE. At another point in your statement, Mr. Secretary, you said:

> Gold still remains the ultimate reserve for world currencies.

If there is any single sentence in the entire statement with which I agree 100 percent it is that statement. But in view of that I wonder why a more direct method was not used in firming up the currency of these nations by proposing to sell some of it, by two means: One, by legalizing the possession of gold; and second, why the proposal was not made to sell some of the stocks of gold to these countries for their currency on whatever rate of exchange seemed proper, and thereby assure, through the distribution of that gold, that the basis of these countries currency would be firm?

Secretary SNYDER. Well, in that event we would have on hand a great amount of foreign currency that we could only work off in trade with those countries, and what we seek would not really be accomplished. At any rate, Mr. Case, as time goes on and they have funds available, they can buy gold, and we are licensing the sale of gold to foreign countries. By having a fund available, you mean that if they have the dollars they can pay the dollars for it?

Mr. CASE. But if you just give them the dollars so they can buy the gold that is not getting anything; but if you take their currency in at the proper rate of exchange, at least, they would have currency in their country and they would have had the benefit of having gold to stabilize their currency, and the psychological effect would be to give the people confidence in their currency and certainly would help in maintaining its circulation.

Secretary SNYDER. I think in time we can do that, Mr. Case, but we have got to start stabilizing the currency so that we would have confidence ourselves in accepting the foreign currency for gold, so it is just a matter of time when we start doing it.

Mr. CASE. In both of those instances are cited, in the case of Italy and in the case of France, where they have moved in the direction of straightening out their currency, and recognize the true value of such a move, and I think it might be advisable for some of the other countries to take notice of that and to proceed along the same lines, that they do find strength in the new government that is coming into Italy, and that the French have had the courage to do the right thing.

Secretary SNYDER. As we progress in this program the time may come when we may want to do what you have indicated, when they have stabilized their currencies, by making stabilization loans against a given local currency; that time may develop, and I testified to that effect in appearing before another committee, that such loans might be given consideration after we have made some progress in the initial steps of the program of economic recovery.

Mr. SOUTHARD. But that would require a special act of the Congress.

Secretary SNYDER. Yes.

Mr. SOUTHARD. But Congress has never been asked to do so, although at the Paris Conference the matter was up last fall, and a request was made that funds be made available for stabilization loans.

The CHAIRMAN. I do not think that would do any good now.

Secretary SNYDER. We have not come in for that, Mr. Chairman.

The CHAIRMAN. We know that usually these people will only develop the type of imports that will come in on a competitive basis, and they are now developing the type of things that means coming in here to fill up some of our gaps, and whether they can or not, I do not know. But there can never be any substantial payment from them to us except as they develop something of that character.

Mr. CASE. With that statement I have no disagreement, and that is my own worry about the CCC program, as the members on this side have known my position in the last days, as to what we are up against in developing the competitive productivity under the ECA ration against our own crops.

The CHAIRMAN. Without developing it I think they are going to need to supplement their own economy.

Secretary SNYDER. Except by developing a triangular market, that is, so that we could send some exports to one country and get something else from another country.

Mr. NITZE. I think on that point it might be interesting to note that the United States imports in the month of March of this year reached a figure of $666,200,000, which is the highest figure in the history of the United States, and that compares with a figure of $444,500,000 for a year ago, 1947.

Mr. CASE. And that will probably go still higher, as I understand the request of some to establish free markets for imports and free exports to other countries.

Mr. NITZE. As I understand there is a large component in this $666,200,000 of materials which are highly desirable for the United States.

Secretary SNYDER. Strategic and critical materials.

Mr. CASE. Well, to the extent that those items will supplement what we should import that is all to the good.

Secretary SNYDER. Yes.

Mr. CASE. And if we can accept the local currency at a proper rate of exchange they could accept the imports.

REPAYMENT

That brings me back to the statement which Mr. Southard made a while back with respect to repayments, that we develop this situation until we could have repayments in dollars, which is what we want. Frankly the ultimate repayment problem is one of the things that bothers me a little bit. I am not sure that it is only dollars we want back; I think there are a great many raw materials that we could use in our own economy.

Mr. SOUTHARD. Mr. Case, I would like to elaborate on my own statement if I may.

Mr. CASE. Certainly.

Mr. SOUTHARD. I agree completely that the only way to get dollars, in the final analysis, in international trade is through the medium of goods and services. There is no other way in which a foreign country can get the dollars with which to make payments to one group of Americans except through direct or indirect sale of goods and services to other groups of Americans, so in the final analysis you are entirely right. In the end, the only reason we are in this business is international trade for the long pull, which means goods and services such as you speak of.

Secretary SNYDER. In other words, when you spoke of dollars you meant the equivalent of goods and services.

Mr. SOUTHARD. We use our own money to pay for the things we want, but the only way some of these countries will be able to buy from us will be through the shipment of something to America, or to some other country, which in turn can sell something to America.

Mr. CASE. The most desirable repayment, in my opinion, would be in raw materials of the character that we are draining from our own economy.

Secretary SNYDER. That is the dollar equivalent; it would be the dollar equivalent, translated into materials.

Mr. SOUTHARD. I did not intend any disagreement between what I had said and what you have just said, Mr. Case.

Mr. CASE. That is all I have, Mr. Chairman.

The CHAIRMAN. Mr. Mahon.

IMPLICATIONS OF ECA DOLLAR ASSISTANCE

Mr. MAHON. Mr. Secretary, if we look at this thing in a very elementary and perhaps superficial way it would appear that the only way we can help Europe is to more or less injure ourselves. I mean the basic thing which we want to do is to get Europe more dollars; we want to increase their dollar balance, and we divest ourselves of dollars in order to give them more dollars. In other words, we are to have fewer dollars and they have more dollars.

I realize that is a very superficial analysis of the problem. Is it possible for us to part with, to divest ourselves of, dollars in order to give them more dollar exchange, and at the same time promote the best interest of our own country, the best interest of Europe and the other countries in the world?

Secretary SNYDER. We have to consider the alternative; we have got to look ahead and say suppose we do not help the foreign countries, then are we going to be worse off or better off by keeping our dollars here and not making them available to the countries?

I think it developed in the testimony that was presented at the time Congress was considering this bill that it was to our own selfish interest to make this aid program available to them.

Now with reference to what you have just said: We will divest ourselves of a certain amount of dollars to help them, and we will give up a certain amount of dollars we have here to increase the amount which can go over there. I think we weighed that view very carefully, the Congress did, in considering the bill and the testimony that was presented.

Mr. MAHON. The testimony throughout on this bill, before this committee, will show that in reality it is a question of getting dollars into European hands. The methods used may not be important provided the particular European countries run their export-import programs on a sound basis. We say we will provide so much money for providing Europe bread grains, raw material, farm machinery, and so forth. Just so we provide them dollars it seems to make little difference whether they are for one purpose or another, just so the country uses its money in a wise way. Are we not divesting ourselves of our dollars and using this vehicle to give them to Europe?

Now, if that explanation and argument is wise it would seem to me that we might just make a loan or gift to them of so much money in order for them to get their economy going, that all this talk about funds for specific products is more or less subterfuge.

I do not want to extend this discussion at great length, but I wish when you read this question, and if you can figure out what I am driving at, that you would elaborate on it.

Secretary SNYDER. We will certainly attempt to do so.

The reason, of course, for the dollar demand is that under the present world economic set-up the dollar is the most sought-after currency; it so happens that if they have dollars they can trade in almost any area in the world.

Mr. MAHON. Yes.

Secretary SNYDER. That is what makes the dollar so necessary at this time.

Mr. MAHON. I am not unsympathetic toward the program; in fact, I am sympathetic toward it.

Secretary SNYDER. We will study the question and do our best to give you something.

Mr. MAHON. This is a problem that concerns me a great deal and I would like light on this particular subject.

Secretary SNYDER. Yes.

(The following was submitted later:)

IMPLICATIONS OF ECA DOLLAR ASSISTANCE

In appropriating funds for the ERP, we are providing Europe with goods rather than dollars, since the funds will be available only for expenditure on a specified program of goods approved by the Administrator. In part the goods will come from the United States and in part from other Western Hemisphere countries. Of the goods to be supplied from the United States, many are of the type we normally export to Europe and are goods in excess of our own requirements. The availability of goods to be provided for Europe has been reviewed, and programs adopted have taken account of the needs for such goods both in Europe and the United States. Efforts will be made to procure scarce items outside of the United States where possible.

The costs of the program to the American people are far outweighed by the longer-term advantages to be gained by the United States through the restoration

of the European economy. The ECA is an investment in our own long-term economic stability. The risks involved in failure to carry through the recovery program are much greater than the cost to us of this program. The Congress has examined the broad considerations presented by the executive branch and has concluded that it is in the national interest to make this investment in world prosperity.

PROVISIONS FOR PUBLICIZING ECA OVERSEAS

Mr. MAHON. We are taking this step, and I want to know whether we are right or not.

Now, the American people have been very much disappointed, for instance, because in connection with the UNRRA program and some of the other programs of assistance to other countries the administrators did not seem to make very much mention, or give very much credit to us. We got complaints, for instance, that the Russians did not tell her people just what we were doing during the war in providing them with aircraft, etc. That was a little different from the situation here.

I would like to have the best statement that you or anybody else is in position to provide as to how we are going to come out in this program and generate as much good will as possible, and without overdoing the thing, let it become known to those who are profiting by this program abroad, just what the United States is doing in the way of making appropriations to cover these expenditures.

Secretary SNYDER. The very approach to the European recovery program has been along just the lines you indicated. It was extensively publicized throughout Europe during the development of the program last summer in Paris; it was given wide continental distribution.

Mr. MAHON. You may elaborate on that further when your remarks come to you.

Secretary SNYDER. Yes, sir. It is proposed that there be included in each bilateral agreement between the United States and the foreign government a provision that full publicity will be given by the foreign government to the recovery program. Furthermore, in recognition of the desirability of disseminating information widely on the progress of the program among the people of all participating countries in order to develop the sense of common effort and mutual aid which are essential to the achievement of its objectives, it is proposed that the foreign governments will take all practicable steps to make such information available to the media of public information, and to ensure that appropriate facilities are provided for such dissemination.

The widest possible publicity overseas will be given to the objectives and progress of the program for European recovery through the combined efforts of the Economic Cooperation Administration's Office of Information and the overseas information program of the Department of State. The overseas staff of the Economic Cooperation Administration will include information officers responsible for preparing and providing all information required on the recovery program.

The full facilities of the Department of State's Office of International Information will be available to the Economic Cooperation Administration and the highest priority will be given to the dissemination of information on the recovery program overseas. These facilities include the Voice of America radio broadcasts, a daily wireless bulletin, equipment for the wide distribution of documentary films, and

information personnel overseas in each United States diplomatic mission.

Working in close cooperation with ECA officers in the 16 countries, the Department of State's information personnel will develop to the fullest extent possible local activities designed to inform the population of each country, through the public media of information, such as pamphlets, pictorial exhibits, documentary motion pictures, lectures, and the distribution of publications through the United States Information libraries.

United States diplomatic missions in countries other than the European recovery program area will insure the fullest possible dissemination of information on the recovery program in order that its motives and objectives should be understood throughout the world.

EFFECTIVE MOBILIZATION OF FOREIGN ASSETS AND INTERNAL FINANCIAL RESOURCES BY PARTICIPATING COUNTRIES

Mr. MAHON. It has been said that "The Lord helps those who help themselves."

There is a widespread feeling in America that there are certain people of wealth, for instance, in Italy, in Rome, in Milan and other industrial areas, people who are quite well-to-do but who do not sufficiently share their responsibilities of the burdens which the Italian people have.

And, for example, in Athens, there are Greeks who live like lords, and the claim is made that they do not put their money in the banks in Greece, nor the banks of Italy, but perhaps in Switzerland, or in New York, and there is a great desire, I believe, on the part of the American people, that those citizens who are well-to-do in those countries contribute to the maximum toward the success of the program, in other words, that they help themselves while we are undertaking to help them, and of course, undertake to help promote the international stability, welfare of the other countries.

I do not mean that you must comment on that right now, but I would like to have your answer.

Secretary SNYDER. We will develop that for you.

(The following was submitted later:)

EFFECTIVE MOBILIZATION OF FOREIGN ASSETS AND INTERNAL FINANCIAL RESOURCES BY PARTICIPATING COUNTRIES

The contribution which may be expected from residents of recipient countries falls into two distinct categories. In the first place, their assets in gold and dollars and other foreign currencies should be registered with their home governments, so that the income from these assets may be contributed to the foreign exchange pool at the disposal of the government. In the second place, through the imposition of appropriate taxes, citizens can be called upon to make an effective contribution to the internal financial stability of their own nation.

It is important, however, to distinguish carefully between these two responsibilities of the citizens of the participating country. The fact that an individual resident in France or the United Kingdom may hold dollar assets in a substantial amount, subject to the jurisdiction and control of his government, does not necessarily mean that the country concerned can afford to dispose of these foreign assets to pay for current imports. What is important is that the government shall retain control of such foreign assets and put them into effective service in connection with the ERP. Since the recovery program is designed to increase the capacity of participating countries to earn foreign exchange with the view to eventual self-support, it would not be consistent with this objective to require the disposal

of assets which a country now holds as a result of past efforts to accumulate some reserves.

Under most exchange control regulations in the recipient countries, the owner of foreign assets does not, himself, receive or dispose of the earning of those assets in terms of foreign exchange. Instead, he turns over these earnings to his exchange control authorities, and is paid the equivalent in the currency of his own country.

There has been objection in the Congressional hearings to the fact that in some recipient countries the collection of taxes from individuals is not always effective. Some members of the Congress have indicated a feeling that the tax system in some foreign countries does not impose burdens in accordance with capacity to pay. It will be an important objective of the Administrator to assist recipient countries in the adoption of improved fiscal and monetary policies.

It is well known that a substantial amount of assets held abroad by residents of some participating countries has not been reported to the home government of the owner; therefore, the income from these assets is not available to the Government, and the capital sum itself cannot be considered by the Government as a reserve for eventualities. Some recipient countries have modified their own penalty provisions in an attempt to induce the repatriation of capital which has not been registered with the local authorities. As you know, the Treasury and Justice Departments are now taking action which may reveal to the recipient governments data on a large part of the unregistered assets of this character which are held in the United States. The program outline in the letter from Secretary Snyder to Senator Vandenberg of February 2, 1948, is now being carried out. (The full text of this letter appears on pages 516–520 of part I of the hearings before the Committee on Foreign Relations of the United States Senate.) As pointed out in that letter, this program is designed primarily to assist the European governments in locating these private assets. The question whether the assets should then be liquidated is a matter for the consideration of those governments.

Mr. MAHON. You mentioned in your statement here this question of the assets in foreign countries, and what you are doing toward revealing to the European countries the assets which their nationals may have here.

Secretary SNYDER. Most of the countries are making an aggressive effort to locate their nationals' assets in foreign countries, and some of them are making better progress than others. We will develop that question for you. All of these countries are making a specific effort to locate their nationals' assets in other countries.

MEASURES TAKEN BY PARTICIPATING COUNTRIES TO MOBILIZE FOREIGN DOLLAR ASSETS

Mr. MAHON. Now, here is another problem, while in Italy last fall some of us conferred with the Communist leaders, and they assumed the defense of the common man in Italy. They pointed out that the plight of the average Italian was very bad, but they said go down to the Grand Hotel, or this place, or that place, and you will see that while many people are living on the ragged edge of starvation, others are living in luxury. I realize that we cannot go in there and tell these people what laws to pass and how to operate the economies of their own countries, but certainly they should be encouraged to bring about, insofar as possible, an equality of sacrifice among the people of those countries in this gigantic effort to rehabilitate the world.

Secretary SNYDER. Last fall when I was in Europe I talked to a great many of the ministers of finance and other governmental heads on that very subject and recommended that they should start making plans definitely along the line of uncovering those large fortunes that were not being used properly in support of their government operation but, of course, making the recommendation and having it followed

through are a long way apart. I am quite sure that the Administrator and the Ambassadors there in Europe will make every effort possible to get such commitments into their agreements as they work them out with each country.

Mr. MAHON. I wish you would elaborate for the record any answer that you may give to clarify this whole situation.

(The following was submitted later:)

SUMMARY OF MEASURES TAKEN BY PARTICIPATING COUNTRIES TO MOBILIZE FOREIGN DOLLAR ASSETS

The principal device used by the European recovery program countries to obtain control of their assets in the United States for public use has been to require the registration of these securities or balances or other forms of exchange with governmental authorities or the central banks. The holders of these securities or other exchange assets have in some instances been required to sell them to the government for the local currency equivalent of their value or if they retain title to provide the government with the foreign exchange arising from the payment of interest or dividends from these securities. In some instances there has been a voluntary liquidation of these securities and surrender to the government against payment in local currency. Brief statements for the important European recovery program countries are as follows:

UNITED KINGDOM

On September 3, 1939, the British system of foreign exchange control, including the mobilization of foreign assets, was put into effect. All holders of foreign securities were required to register them with the authorities. It is believed that evasion was practically negligible. Shortly after the outbreak of the war the British Government vested title to the more important securities in the United States, Canada, India, and Australia held by British nationals. These securities were paid for in sterling and a total of about $5,000,000,000 was realized from such investments including $1,700,000,000 from the United States and Canadian assets. Other securities were borrowed by the British Government from their owners. The owner received income in sterling while the Government used the foreign exchange income for its purposes. Another portion of these borrowed securities was pledged as collateral against the loan by the Reconstruction Finance Corporation in 1941. Of this total loan, $425,000,000 was authorized and $390,000,000 actually used. It is estimated that the collateral pledged has a current value of about $900,000,000. A third group of securities has been deposited with authorized depositories (banks) so that all transfers are subject to the exchange control regulations. Under the British exchange control system all transactions during the war were subject to control by the authorities.

FRANCE

On October 17, 1944, the French Government required all persons to deposit foreign exchange and foreign securities held in French territory. These securities were paid for in francs. An ordinance of January 16, 1945, provided for a census of the holdings of French nationals in foreign countries and required them to convert these assets into francs. All dollar balances and securities reported in the census have been vested by the French Government. However, these assets are only a fraction of the amount indicated by the Treasury census of American assets belonging to French nationals. The Government of France realized that its coverage had been quite inadequate and that evasion was widespread. Accordingly, in conjunction with the United States program for making undeclared dollar assets available to ERP countries, the French Government has recently enacted legislation providing an amnesty for individuals who violated these two ordinances but who now turn over their securities or other foreign exchange assets to the Government. These transfers to the Government are, however, taxed at 25 percent of their value until July 1, 1948. Thereafter the rate of taxes will increase 1 percent per month. The amnesty is granted to all persons involved against whom regular judicial procedures had not been started.

NETHERLANDS

The Netherlands has required registration of all securities and foreign exchange held by its nationals. The Netherlands Bank has been empowered to requisition private foreign assets against payment in guilders and until recently has not used this power but instead has encouraged voluntary liquidation of United States securities and the transfer of the proceeds to the government against payment in guilders. In 1947 approximately $120,000,000 of Netherlands-owned securities was liquidated in this fashion. To encourage voluntary liquidation the bank has permitted the sellers of securities to retain a larger portion of the proceeds in a free account and has also permitted them to invest the proceeds in 40-year government bonds at 3 percent interest with interest and principal payable in guilders at a rate which will preserve the current dollar value of these payments. At the beginning of April 1948, the Netherlands Finance Minister announced that dollar securities would be requisitioned. A first list of securities estimated to amount to about $25,000,000 has already been published and is in the process of being vested.

BELGIUM AND LUXEMBURG

In accordance with a decree in October 1944, a census of all private foreign exchange assets was taken. Current earnings from investments must be repatriated within a given time and the exchange sold to the authorities against payment in francs.

SWEDEN

Sweden has had a comprehensive system of exchange control since February 27, 1947. All Swedish nationals were required to surrender their foreign exchange and foreign balances to the Riksbank and were paid in local currency. The Riksbank exercises a complete monopoly of all foreign-exchange trasnactions and it has control of the use of balances abroad and the sale of all securities in foreign countries. Decrees of September 19, 1947, gave the foreign-exchange control the power to demand the surrender of all foreign securities and other forms of exchange. On October 21, 1947, this power was exercised and all Swedish nationals were required to surrender their securities against payment in kronor. The only exceptions to this were for some amounts of foreign exchange amounting to less than $50 and the equivalent in other currencies. All securities had to be offered for sale before November 15, 1947, except those whose transfer was blocked abroad. In these cases surrender would occur after unblocking.

NORWAY

In September 1947 the Norwegian Government required the surrender of all foreign exchange assets owned by Norwegian nationals regardless of whether these were currently accruing assets or had been secured at an earlier date.

DENMARK AND ICELAND

These countries maintain complete systems of exchange control so that all foreign exchange must be surrendered to the central bank at the official rates of exchange. Earnings from securities must be repatriated and sold for local currency. The exchange regulations provided for the registration of foreign security holdings but apparently their liquidation has not yet been required.

PORTUGAL

The Portuguese Government has thus far taken no steps to requisition the foreign exchange or security assets of its nationals, although since August 28, 1947, transfers in dollars have been subject to license. Portugal has large dollar and other foreign-exchange reserves so that its position differs considerably from those of other European recovery program countries.

GREECE

The Bank of Greece has been legally empowered to control all transactions in foreign exchange since 1932. A law of June 4, 1945, reinstated this control and required the surrender of all current earnings in foreign exchange against payment in drachmae. Law No. 198 of March 15, 1945, required the sale of privately held foreign exchange assets to the Government. It is believed that widespread evasion of these exchange regulations has continued to the present time.

AUSTRIA

The exchange control law of September 1946 gave control of all foreign exchange holdings and transactions of Austrian nationals to the Austrian National Bank. In accordance with the law a census of all foreign exchange holdings was conducted and all liquid assets which could be realized have been collected. All foreign exchange earnings of Austrians must be offered for sale to the national bank against local currency.

The European-recovery-program countries have generally taken such steps as are within their power to obtain information from their nationals about their holdings of securities and to vest these securities by requiring the owners to surrender them against payment in local currency. The results of the census or registrations indicate that a considerable portion of the foreign exchange assets has not been reported or surrendered to the governments. To enable these countries to mobilize the assets for purposes of the European recovery program would require assistance from the United States in making information available to these governments and assisting them in liquidating the assets in the United States. The procedure which the National Advisory Council recommends for dealing with this problem is contained in the letter to Senator Vandenberg dated February 2, 1948.

FEBRUARY 2, 1948.

Hon. ARTHUR H. VANDENBERG,
Chairman, Senate Foreign Relations Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR: You will recall that when I appeared before the Senate Foreign Relations Committee to discuss the financial aspects of the European recovery program I indicated that I would soon be ready to report the results of the National Advisory Council's consideration of the extent to which this Government should assist countries likely to receive financial assistance under the European recovery program in locating the assets of their nationals concealed in the United States.

On that occasion I discussed the extent to which the dollar and gold holdings of the participating countries could be integrated with the European recovery program. In that connection I stated:

"Some people have argued that the participating countries should pay for part of the program by using up their gold and dollar assets in the United States, and by liquidating the American investments of their own citizens. I need not labor the point that the European countries must have some gold and dollars reserves to finance their international trade if the are to return to normal operations after 1952. It should be kept in mind that the European recovery program is not intended to cover the entire import requirements of these countries. It would be folly on our part to force the European countries to use up their gold and dollars balances to a point where they would not have adequate funds to operate through ordinary commercial and financial channels. By insisting that the participating countries exhaust their gold and dollar balances, we would merely add further instability to their monetary systems. As a matter of fact, all of the participating countries except Switzerland, Turkey, and Portugal have already reduced their dollar balances to or below the amount which would normally be regarded as safe.

"When we turn to the possibility of liquidating European investments in the United States, we must also look at the problem in terms of its long-run consequences. These investmets annually earn a dollar income, which will be used to cover part of the cost of the program, and which will be used in the future to meet part of the cost of imports after the program ends. Without these investments, the balance-of-payments situation of the participating countries will be worse in the future. I doubt very much that it would be wise policy for the United States to force European countries as a general rule to liquidate the property owned in the United States by their nationals as a condition for receiving aid from this Government.

* * * * * * *

"Some of the governments, however, will decide to liquidate some or all of their holdings so as to pay for imports. In practice this may be an alternative to borrowing from the United States * * *."

I emphasize again that, in the judgment of the National Advisory Council, it would not be wise to force countries likely to receive financial aid from the United States (referred to hereafter as "recipient countries") to liquidate the private

holdings of their nationals as a condition to receiving such aid. But the problem of assisting these countries in locating the private assets of their nationals is separate and distinct. It is this problem which the National Advisory Council and the executive departments concerned have been studying for some time.

The problem stems from the fact that nationals of some recipient countries have for many years followed the practice of concealing their assets in the United States. Some hold property directly in their own names; others hold indirectly through intermediaries in third countries, notably Switzerland. These assets are concealed in this country despite the fact that the foreign exchange laws of the recipient countries typically require that foreign exchange assets be declared; some also require the turning over of liquid dollar holdings in exchange for local currency; practically all require that licenses be obtained for the expenditure of foreign exchange assets.

It is important to distinguish between two categories of assets: Blocked assets and free assets. By blocked assets we mean those which are frozen in the United States under the Foreign Funds Control of the Treasury Department. It will be recalled that as a wartime measure the President, pursuant to section 5 (b) of the Trading With the Enemy Act, blocked, under control of the Treasury, the private and public holdings in the United States of all of the European countries except the United Kingdom, Eire, and Turkey. Beginning in October 1945, machinery has been put in effect which provides for the unblocking of assets of persons in most of the formerly enemy-occupied and neutral countries if the government of the country where the beneficial owner of funds resides certifies to the private American custodian holding the assets that there is no enemy interest in such assets. The primary purpose of this procedure is to find concealed enemy property. The procedure is now applicable to all the recipient countries whose assets were blocked. However, not all the nationals of these countries have availed themselves of this procedure, which has the incidental effect of disclosing to their respective governments the ownership of assets in the United States. As a result the Treasury through Foreign Funds Control is still controlling a fairly substantial amount of blocked assets.

Free assets include all the dollar assets owned by nationals of Britain, Turkey, and Eire, for these assets, to repeat, were never blocked. In addition, free assets have accrued in the United States on behalf of residents of the other recipient countries since December 1945 when controls were lifted from all current transactions between the United States and nationals of these countries.

It is obviously impossible to ascertain accurately the amount of private dollar assets owned by resident citizens of recipient countries which are unknown to their governments despite the reporting requirements of such governments. Moreover, we have no controls which require complete and continuous reporting of foreign-owned assets. However, we have made certain estimates based on an analysis of the best facts and figures available to this Government.

As far as the free assets are concerned, we have concluded, as a result of investigations and consultation with the various governments, that they are for the most part known to the governments of the recipient countries. We have estimated that as of June 30, 1947, private persons, including noncitizens, residing in the recipient countries, had free assets in the United States approximating $4,300,000,000. Of this amount, $2,300,000,000 represents holdings of nationals of the United Kingdom, which has adequate information respecting these assets. In addition, from Foreign Funds control operations we know that about $1,300,000,000 represents assets of residents of recipient countries which have been certified for unblocking and hence are known to those governments. The balance includes proceeds from the liquidation of securities which has taken place in the United States with the knowledge of the appropriate governments; accruals from current transactions which are subject to control by the governments of the recipient countries; and assets of noncitizens resident in these countries. Some free assets may have accumulated here unknown to the respective governments, but we consider that the amounts are probably insignificant.

We come now to the question of the blocked assets held directly in the names of citizens of recipient countries and indirectly for their benefit through Swiss intermediaries. These assets are for the most part unknown to the respective governments; otherwise the appropriate unblocking certifications would have by now been obtained and the identity of the respective owners disclosed. Precise figures on the amount of these blocked assets are not available. Under the existing certification procedure, as has already been indicated, the certification is made directly by the foreign government to the private American custodian holding the assets and no report is made to the Treasury other than general summaries which

have been obtained from the countries concerned. To have maintained current records on changes in blocked accounts would have subjected American financial institutions and the Government to unjustifiable costs and difficulties.

According to our vest estimates resident citizens of recipient countries hold in the United States approximately $700,000,000 of blocked assets which are in a form readily available for meeting the balance-of-payments problems of the recipient countries. Of this amount, about $400,000,000 are held here directly in the names of the resident citizens; the balance of about $300,000,000 is held indirectly through Switzerland. In addition, resident citizens of recipient countries hold blocked investments in controlled enterprises, in estates and trusts, etc., which cannot readily be liquidated, although most of them are valuable sources of current dollar income. We estimate that they hold directly in this nonliquid form of investment about $400,000,000 and an additional small but unascertainable amount indirectly through Switzerland.

It appears that so far as the recipient countries are concerned the resident citizens of France have in the United States the largest amount of concealed private blocked assets in a form which could be used in meeting balance-of-payments problems or to supplement official reserves. We estimate that the amount of the directly held assets in this form of investment would run between $100,000,000 to $150,000,000. The French Ministry of Finance has estimated that these assets amount to about $150,000,000. In addition, French resident citizens hold indirectly through Switzerland liquid assets of probably between $200,000,000 and $250,000,000.

The policy we should adopt with respect to assisting the recipient countries in obtaining control of the private dollar assets which are hidden in this country by their citizens has been a subject of much discussion in recent months. Representatives of financial institutions have urged that it is fundamental to our free private enterprise system and, in particular to our capital market, to respect private property whether or not it is held by foreign nationals. Some felt that the United States Government should not adopt the policy of cooperating with foreign countries in the enforcement of their exchange control laws. Finally, it was argued that to adopt measures having the effect of forcing the disclosure to foreign governments of private property held by their citizens in the United States would put this Government in the position of supporting partial confiscation of private property. This last point relates to those cases where foreign countries require the surrender of dollar assets, against reimbursement in local currency at unrealistic rates of exchange.

The National Advisory Council gave serious consideration to these views. The Council doubted that under ordinary conditions this Government should assist foreign governments in enforcing their foreign exchange laws. However, these are not ordinary times. Some European countries are in dire need of dollars to permit their survival as free nations. American taxpayers are being called upon to make substantial contributions to European recovery. Moreover, most of the foreign governments have repeatedly asked our assistance in obtaining control of the holdings of their citizens, who have concealed them contrary to the laws and national interest of their countries. It is these circumstances, I am sure, which have inspired marked public interest in the problem and have produced various legislative proposals for action, such as the Kunkel bill (H. R. 4576) and the Norblad resolution (H. J. Res. 268).

The Council studied in detail many alternative proposals for dealing with this problem in an effort to arrive at a solution which would assist recipient countries to obtain the use of concealed private assets in the United States without doing violence to the traditional status of private property. None of these alternatives promised at the same time actually to protect the private interests of foreign nationals, to assist the recipient countries to mobilize the concealed dollar assets of their resident citizens, and to prevent the escape of concealed enemy assets.

The Council concluded that no action should be taken regarding free assets because the amounts which are unknown to the governments of recipient countries are probably insignificant, and in any event serious practical difficulties would be involved. Effectively to search out and take control of these free assets would require exchange controls and other measures which would do maximum violence to our position as a world financial center and to our policy of keeping the dollar substantially free of restrictions.

The Council also concluded, however, that this Government should assist the recipient countries to obtain control of the blocked assets in the United States of their resident citizens. Accordingly, it was agreed that the program described below, which has been developed by the Justice and Treasury Departments,

should be put into operation promptly. In the opinion of the Council this program is the most effective way to accomplish the above objective and to prevent the escape of enemy assets.

The program provides that public notice will shortly be given that at the end of 3 months assets remaining blocked, including assets not certified by the appropriate foreign government as free of enemy taint, will be transferred to the jurisdiction of the Office of Alien Property in the Department of Justice. To permit this Government and the foreign governments concerned to concentrate on the areas where important results are likely to be obtained, accounts containing small amounts of property, say up to $5,000, will be unblocked in the near future without requiring certification or other formalities except where a known German, Japanese, Hungarian, Rumanian, or Bulgarian interest exists. The Office of Alien Property will take a new census of the assets which remain blocked as of the dead-line date. In order effectively to help the recipient countries obtain control of the blocked assets of their resident citizens, the Office of Alien Property will then promptly carry out the following policies:

(a) To deal with the directly held assets by making available to governments of recipient countries the information from the new census of blocked assets of their citizens, including juridical persons, residing in their territories which remain uncertified as of the public dead-line date referred to above. Each country receiving such information will be required to investigate the beneficial ownership of property held in the names of its citizens for the purpose of discovering any enemy interest. Pending a reasonable period for such investigations, such property will not be vested but will remain blocked under the jurisdiction of the Office of Alien Property. If these investigations show that the assets are owned by residents of the country receiving the information the assets will be released.

(*b*) to deal with indirectly held assets by a vesting program with respect to accounts which remain uncertified after the dead line rate. Processing of uncertified assets in Swiss and Liechtenstein accounts for vesting under applicable law as enemy property will be started immediately after the receipt of the census information by the Office of Alien Property. The vesting program will also be applied to uncertified assets held indirectly through recipient countries where the program described in (*a*) above does not result in disclosure to the beneficial owner's government (e. g., French assets held through the Netherlands). In the absence of definite evidence of nonenemy ownership, full weight will be given to the presumption of enemy ownership arising from the failure to obtain certification. Evidence of nonenemy ownership or interest offered either before or after vesting will be checked in accordance with the usual investigative procedures of the Office of Alien Property. These procedures involve disclosure to the governments of the countries of which persons claiming legal or beneficial interests are residents. Of course, any vested assets which are proved to be nonenemy may be returned under existing law applicable to the return of vested property.

The Attorney General has informed the Council that there is adequate authority under the Trading With the Enemy Act, as amended, to carry out all aspects of the above program.

The vesting aspect of this program appears under the circumstances to be the most effective means of rendering help to countries with regard to indirectly held assets. There is no satisfactory alternative to a procedure which will compel foreign nationals either to disclose their concealed dollar assets to their respective governments or to forfeit them to the United States. To date the certification procedure, which applies to Swiss and Liechtenstein accounts, as well as to accounts of recipient country nationals, has not been utilized by many citizens of recipient countries to obtain the unblocking of accounts in the United States. This is so with regard to assets held through Switzerland for resident citizens of recipient countries because the owners of these assets know that Switzerland cannot, under the existing procedure, certify their assets without securing a cross-certification from the government of the country where they reside thus disclosing their identity to their government. Actually, however, there is no effective way to ascertain whether property held in Swiss accounts is Swiss-owned, enemy-owned, or owned by resident citizens of recipient countries, except to rely on the Swiss and other interested governments.

It must be recognized that resident citizens of recipient countries who hold their assets through third countries and who have not revealed such assets to their own government may choose not to declare their assets to their own governments for certification, notwithstanding the announced program to vest these assets and

even notwithstanding any amnesty which countries may offer. These persons would, in effect, choose to forfeit their indirectly held assets to the United States rather than to disclose them to their governments. If this proves to be the case, consideration could be given at a later date to the allocation by appropriate congressional action of the vested assets among the recipient countries.

In conclusion, I want to call your attention to the fact that this program also provides for the orderly termination of Treasury's blocking operations. This follows from the fact that, in addition to specifying the treatment to be accorded the uncertified assets in recipient country accounts and Swiss and Liechtenstein accounts, the program calls for the transfer to the jurisdiction of the Office of Alien Property of all other assets remaining blocked as of the public dead-line date. Thus German and Japanese assets will be transferred and vested. Hungarian, Rumanian, and Bulgarian assets will be transferred and will remain blocked until a settlement of war claims with these countries is made. Finnish, Polish, and Czechoslovakian blocked assets, which do not exceed $5,000,000, will be transferred and remain blocked for the time being. Yugoslavian, Estonian, Latvian, and Lithuanian blocked assets will also be transferred to the Office of Alien Property and remain blocked until various current problems have been resolved. Spanish and Portuguese assets are still blocked pending the completion of the current negotiations with Spain and Portugal covering looted gold and German assets. If these negotiations are successfully completed before the public dead-line date, arrangements can promptly be made for the unblocking of these assets; on the other hand, if the negotiations are not completed by that date, these assets would likewise be covered in the transfer to the Office of Alien Property and would remain blocked pending the conclusion of the negotiations.

It is the intention of the Treasury and Justice Departments to proceed promptly to carry out the above program.

Sincerely yours,

(Signed) JOHN W. SNYDER,

Chairman, National Advisory Council on International Monetary and Financial Problems.

The CHAIRMAN. Are there any other questions of the Secretary? If not, thank you, Mr. Secretary.

Secretary SNYDER. Thank you very much, Mr. Chairman, and I appreciate the very courteous hearing we have had.

INDEX

LIST OF WITNESSES

	Page
Ball, M. W	176
Bassie, V. L	514
Beck, W. L	271, 514, 734
Bissell, R	1
Blumenfeld, C. H., Lt. Col	176
Boyd, J	176
Bramble, H	498, 684, 707, 734
Breithut, R	890
Brodell, A	514
Bruce, D. K. E	581
Cawley, F. R	1, 757, 890, 834
Chapman, O. L	176
Cline, A	660
Dodd, N. E	271
Elliman, G. T	834
Finn, W. G	456
Fitzgerald, D. A	271
Foster, W. C	581, 757
Frank, I	600, 651
Glendinning, D	890
Glynn, J. E	619
Harriman, W. A	757
Hawk, E. P	514
Hoffman, P. G	1, 757
Hoover, C	1
Kelly, H. H	619
Kindleberger, C. P	508, 725, 820
Koenig, N	271
Levy, W	176, 714
Lister, L	176
Lovett, R	1
Lutz, R	696
Macy, J. N	863
Malenbaum, W	1, 820
Markwood, L. N	707
Mason, E	1
Mims, E., Miss	619
Nitze, P	1, 757
Northrup, F. B	271
Ogdon, M., Dr	514
Overley, S. E	700
Palmer, J. J. N	600
Palmer, W. J. N	651
Pettus, D. M	498
Phillips, W. T	1
Rhodes, F. M	271
Ringland, A. C	834
Rosenson, A. M	1
Rossiter, F	271
Schaffner, P	890
Schnitzer, J. G	703
Shaw, W. H	514, 714
Smith, G. M	714

Page
Snyder, Hon. J. W. 923
Southard, Jr., F. A. 890, 923
Sparhawk, W. N. 490, 660
Spiegel, H. R. 114
Stull, C. M. 176
Sufrin, A. 271, 514
Surrey, W. S. 271
Swain, R. O. 619
Thompson, J. M. 271
Trigg, R. S. 271
Tuthill, J. W. 619
Tyson, R. W. 508
Way, H. E. 665
Wells, O. V. 271
Wendel, C. 684
Wilcox, E. 514
Willis, G. H. 890

INDEX

Economic Cooperation Administration 1
Adjustments in program to meet changing conditions, need for 794, 796
Administrative service 757
Allocation for 11, 13
Consultants, salaries and expenses of 761
Foreign service and Department of Agriculture, functions of ECA missions in relation to 766, 775, 777
Industry Division 769
Manpower and labor 772
Offices in participating countries, need for 765
Personnel, break-down of 15, 759, 807
Program review and planning 769
State Department, transfer to 760
Supervision over programs, discussion of extent of 768, 778
Trade 772
Agricultural commodities, break-down of United States stocks, production, imports, total supply and exports of 309, 384
Agricultural requirements 271
Aid authorized by commodities or services, and by countries, break-down of 9
Aluminum 695
American bottoms, requirement for shipments in 786
Austria:
Calorie diet for 344
Coal 235
Commodities import requirements, etc., break-down of 100
Imports, domestic production, and available supply in physical quantities, statement of 89
Imports to food production, relation of 103
Petroleum products 109, 192
Requirements for 103
Basic principles guiding formulation of program 64
Beans and peas (pulses) 276, 394
Bilateral agreements with participating countries for stabilization of currencies 640, 643
Broad financial aspects of program 923
Calorie intake by countries, 1948–49 347
Chemicals 705
Coal:
Austria 235
Belgium 242
Denmark 245
France 242, 245, 247, 264
Greece 249

Economic Cooperation Administration—Continued
Coal—Continued — Page
Iceland — 249
Ireland — 250
Italy — 250, 254
Over-all requirements for — 233
The Netherlands — 259
Coal-mining machinery — 572, 592
Cocoa — 321
Coffee — 446
Collateral loans — 939
Commodity import requirements and other dollar payments, recapitulation of obligations by participating countries for — 102
Commodity imports and other dollar payments, recapitulation by — 93
Commodity imports to be financed by ECA, discussion of basis for determining percentage of — 360
Commodity requirements estimated by CEEC, comparison of present estimate with — 363
Copper — 684
Cotton — 399, 402, 409, 411, 451
Currencies, conversion of — 213, 227
Dairy products — 393, 406, 441
Dollar assistance by ECA, implications of — 942
Dollar earnings of participating countries, discussion of — 828
Dried fruits — 444
Eggs — 444
Electrical equipment — 594
Electrical machinery and other apparatus — 665
England, exportations by — 788
Estimate, basis for — 48
Export license program, effect of — 586
Export licenses on ECA shipments — 181
Export markets, future competition from European countries in — 407
Exports and earnings of participating countries, 1938 to 1946–47, discussion of volume of — 830
Farm machinery — 278, 498, 514, 518, 592, 781
Austria — 553
Belgium-Luxembourg — 555
Denmark — 558
Export control of — 531
Export requirements under program, basis of estimate of — 525, 539
Exports, effect on domestic supply of — 112, 207, 209
France — 560
Germany — 571
Greece — 562, 565
Iceland — 566
Importations of — 546
Ireland — 566
Italy — 567
Norway — 569
Portugal — 569
Production, imports, total supply and exports — 521
Requirements to availability, ratio of — 527
Supply and demand, domestic — 543
Supply, effect of program upon — 325
Sweden — 569
Switzerland — 570
The Netherlands — 568
Tractors by type, 1947–46, production and shipment of — 537
Tractors, production, exports, availability, etc., of — 532
Tractors, requirements for — 292
Turkey — 570
United Kingdom — 571
Farms in various countries, size of — 301
Fats and oils — 276, 353, 379, 391
Austria — 353
Distribution (tentative) to participating countries — 358
Germany — 383

Economic Cooperation Administration—Continued Page
Fertilizer 280, 456
Greece 475
Japan and Korea 469
Fish 508
Food and agricultural commodities by participating countries, sources of imports of 433
Food and agricultural items by supplying areas for participating countries, 1948–49, estimated imports of 423
Freight cars 591, 646
Friendly, Alfred, questions as to appointment of 797
Funds, details of status of 9
GARIOA, coordination with program of 420
Germany:
Export target for 752
Farm machinery 571
Fats and oils 383
Fertilizer 465, 471
Grain imports, availability, etc. for 352
Petroleum 232
Tractor production in 538
Wheat situation in 291
Grain 274, 334, 336, 389
Belgium and Luxembourg 345
Corn 390
Denmark 345
France 346
Germany 291, 352
Greece 346
Iceland 346
Production in participating countries, comparative statement of 389
Wheat 337, 389b, 410
Wheat, European acreage and production by countries 287
Hides, skins, and leather 701
Import control by participating countries 298
Imports, domestic production, and available supplies by commodities and countries, estimates of 143
Investments in enterprises producing or distributing informational media, guaranties of 863
Books, guaranties for exchange on 871
Costs by media and by countries, break-down of 869
Foreign currencies accumulated under program, use of 885, 887
Motion-picture companies, guaranties to 871, 873
Newspapers, guaranties for exchange on 874
Purpose and operation of 877
Investments of ERP countries in United States, inadvisability of requiring liquidation of 129
Invisible items (other than freight) of participating countries, 1948–49:
All participating countries (all areas), various time periods 895, 914, 915
All participating countries (with Western Hemisphere), fiscal year 1949 894, 913
Gold and dollar investments of foreign countries 908, 921
Gold and short-term dollar balances of foreign countries at various periods 909, 920
Interest and amortization on United States Government credits 896, 916
Interest, profits, amortization, and dividends (other than on United States credits) by participating countries 898, 917
Interest, profits, amortization, and dividends from Western Hemisphere by participating countries 900, 918
International Bank and Export-Import Bank, extension of credit by 906
Invisible items (excluding ocean freight) in participating countries balance of payments 901, 918
Sources of credits to finance ERP requirements outside of ECA funds and dollar earnings 114, 903, 920
Switzerland, Portugal, and Turkey, availability of reserves of gold and dollars held by 911

Page

Economic Cooperation Administration—Continued
Language provisions 801
Lead 692
Level of economic recovery sought in participating countries 303, 749, 794
Loans, allocation and purposes of 51, 52
Local currency funds, use of 79, 227
Machinery (not elsewhere shown) 732
Major food commodities, 1935–48, apparent per capita civilian consumption of 388
Meat 277, 391, 394, 436
Miscellaneous commodities 723
Food, feed and seed 728
Rubber goods and other inedible vegetable products 729
Mobilization of foreign dollar assets, measures taken by participating countries for 945, 946
Nonagricultural commodities, United States production, imports, total supply, domestic supply, and exports of 515
Ocean freight of voluntary relief supplies 834
Export licenses for voluntary supplies, mechanics of issuing 859
Postal and express rates for relief packages 852
Relief sent abroad by private relief agencies, 1947 842
Ocean freight, payment of 821
Oilcake and meal 424
Other agricultural commodities 277, 309, 448
Payments, balance of 820
Petroleum and petroleum products 176
Austria, exports to 192
Belgium 198
Belgium and Luxemburg 203
Denmark 205, 210
Domestic supply, effect of program upon 188
Exports and imports, 1948, comparison of 180
France 214, 264
Germany 232
Greece 215
Iceland 215
Ireland 215
Italy 201, 216
Norway 220
Sweden 229
The Netherlands 202, 219
United Kingdom 201
Petroleum equipment 712
Petroleum industry machinery and equipment 594
Price adjustment 824
Prices of agricultural commodities, effect of program upon 63, 313, 326
Procurement, method to be utilized 18, 315, 406
Production, imports, exports, supply and consumption of selected foods, etc., for participating countries 284
Production in European countries, level of 36, 70, 780
Production, total exports, and exports to participating and other countries 335
Requirements of countries and availability of materials, method of determining 636
Relief and rehabilitation abroad, expenditures to date for 46
RFC, advance of funds by:
Allotments of 7
Method of accounting for 26
Rice 445
Rubber 698
Selected foods, etc., by participating countries, available supply in pounds per capita of 342
Selected foods, etc., in program for participating countries, summary of 282
Shipments, export control over 317, 319
Significance of program 54

Economic Cooperation Administration—Continued Page
Steel 584, 600
Production, foreign trade, and consumption of 601
Steel equipment 651
Sugar 277, 391, 392, 428
Supplies for program, availability of 790
Timber 278, 490
Timber equipment 660
Tin 690
Tobacco 414, 451
Tourism 890
Trucks 619, 644
Unexpended balances from prior appropriations 6
United Kingdom:
Collateral for loans 127
Prior loans to 938
Vehicles 811
Wood pulp 697
Wool 396, 436, 498
Yarns, woolens, and worsteds 696
Zinc 694

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